

CITY OF GRAFTON

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994

ORDINANCE

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CITY OF GRAFTON

ORDINANCE

ORDINANCE COMBINING THE EXISTING SEPARATE WATERWORKS SYSTEM AND EXISTING SEPARATE SEWERAGE SYSTEM OF THE CITY OF GRAFTON INTO A COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY; PROVIDING FOR THE TRANSFER OF MANAGEMENT, CONTROL AND OPERATION OF THE EXISTING SEPARATE SEWERAGE SYSTEM TO THE CITY AND ABOLISHING THE SANITARY BOARD OF THE CITY; AUTHORIZING THE REFUNDING OF THE OUTSTANDING SEWER REVENUE BONDS, DATED JUNE 1, 1972, OF THE CITY AND THE ACQUISITION AND CONSTRUCTION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS PORTION OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN \$3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

THE COUNCIL OF THE CITY OF GRAFTON HEREBY ORDAINS:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the

"Bond Legislation") is enacted pursuant to the provisions of Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and other applicable provisions of law.

Section 1.02. Findings. It is hereby found, determined and declared that:

A. The City of Grafton (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Taylor County of said State.

B. The Issuer presently owns and operates a municipal waterworks system, consisting of water tanks, distribution lines, booster stations and all appurtenant facilities and properties, and a municipal sewerage system, consisting of a sewage treatment plant, collection and transportation lines and all appurtenant facilities and properties. The existing waterworks system has heretofore been managed by the Issuer, while the existing sewerage system has heretofore been managed by the Sanitary Board of the Issuer, created pursuant to an ordinance enacted July 15, 1970. The Issuer has determined that efficiencies will be achieved by combining its existing waterworks system and its existing sewerage system into a combined waterworks and sewerage system under the management, control and operation of the Issuer and abolishing the Sanitary Board of the Issuer. Pursuant to the Act, whenever a waterworks and sewerage system is included in a combined waterworks and sewerage system and there are unpaid and outstanding revenue bonds, obligations or securities previously issued which are payable solely from the revenues of such waterworks or such sewerage system, such outstanding bonds, obligations or securities may be refunded by the issuance and sale or exchange therefor of revenue bonds of the combined waterworks and sewerage system. Accordingly, the Issuer hereby determines that it is necessary to refund its Prior Bonds (hereinafter defined) by the issuance and sale of its Combined Waterworks and Sewerage System Revenue Bonds, Series 1994 (the "Series 1994 Bonds"). The Issuer further hereby determines that it is necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain extensions, additions, betterments and improvements to the waterworks portion of the combined waterworks and sewerage system of the Issuer, consisting of replacement of approximately 8,500 feet of water line and replacement of service connections on approximately 11,000 feet of existing water line in Grafton; installation of two new booster stations and two water storage tanks to serve Lucretia and Pruntytown; upgrading the St. John booster station; installation of approximately 8,450 feet of water line and a water storage tank near Morosco; installation of a booster station and bladder tank to serve Morosco; conversion of distribution system from three to two pressure zones, elimination of valved connections between pressure zones, and provision of telemetering to the Issuer's garage, together with all appurtenant facilities (collectively, the "Project") (the Project, the combined waterworks and sewerage system of the Issuer, and any further extensions, additions, betterments and improvements thereto are herein called the "System") at an estimated cost of not more than \$3,000,000, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Series 1994 Bonds and the sinking fund, reserve account and other payments provided for herein.

D. It is deemed necessary for the Issuer to issue its Series 1994 Bonds in the total aggregate principal amount of not more than \$3,000,000, to be initially represented by a single Bond, to permanently finance the costs of acquisition and construction of the Project and to refund the Prior Bonds (hereinafter defined). Said costs shall be deemed to include the refunding of the Prior Bonds, the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon that portion of the Series 1994 Bonds to be used to finance the acquisition and construction of the Project (the "New Money Proceeds") prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 1994 Bonds Reserve Account (hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority (hereinafter defined), discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1994 Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1994 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 40 years.

F. It is in the best interests of the Issuer that its Series 1994 Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement to be entered into by and between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, as shall be approved by supplemental resolution of the Issuer.

G. The Issuer has heretofore financed the acquisition and construction of certain additions, extensions and improvements to its sewerage system by issuance of its Sewer Revenue Bonds, dated June 1, 1972 (the "Prior Bonds"), in the original aggregate principal amount of \$865,000, of which \$685,000 will be outstanding as of the date of enactment of this Ordinance. Pursuant to the Act, the Issuer has determined that it is necessary to refund the Prior Bonds to their first redemption date, being December 1, 1994, in the manner set forth herein with proceeds of the Series 1994 Bonds and other moneys of the Issuer. Upon conclusion of the refunding and defeasance of the Prior Bonds on the

Closing Date, there will be no outstanding obligations of the Issuer which will rank senior and prior to, or on a parity with, or junior and subordinate to, the Series 1994 Bonds as to liens, pledge and source of and security for payment.

H. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System, refunding of the Prior Bonds, and issuance of the Series 1994 Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a certificate of convenience and necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the date of issuance of the Series 1994 Bonds or such final order will not be subject to appeal.

I. The Issuer is a governmental unit which has general taxing powers to finance operations of or facilities of the nature of the Project and the System; 95% or more of the Net Proceeds of the Series 1994 Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and the Issuer, all subordinate entities, all entities which issue obligations on behalf of the Issuer, and all entities formed or, to the extent provided under Section 148 of the Code, herein defined, availed of, to avoid the purposes of Section 148(f)(4)(D) of the Code and all other entities benefiting thereby reasonably expect to issue less than \$5,000,000 aggregate principal amount of tax-exempt obligations (other than private activity bonds) during the calendar year in which the Series 1994 Bonds are to be issued.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of Series 1994 Bonds by the registered owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Bondholders of any and all of such Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means Chapter 8, Article 20 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 1994 Bonds, or any other agency, board or department of the State that succeeds to the functions of the Authority.

"Authorized Officer" means the Mayor or City Manager of the Issuer, or any other officer of the Issuer specifically designated by resolution of the Governing Body.

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

"Bondholder," "Holder of the Bonds," "Holder," "Registered Owner" or any similar term whenever used herein with respect to an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

"Bond Legislation," "Ordinance," "Bond Ordinance" or "Local Act" means this Ordinance and all ordinances, orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Bond Year" means each one-year period (or shorter period from the date of issuance of any Bonds) that ends at the close of business on October 1, unless otherwise required under the Code.

"Bonds" means the Series 1994 Bonds, and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance of the Issuer.

"City Clerk" means the City Clerk of the Issuer.

"City Manager" means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 1994 Bonds for the proceeds representing the purchase price of the Series 1994 Bonds by the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

"Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia that succeeds to the functions of the Commission.

"Consulting Engineers" means Kelley, Gidley, Blair & Wolfe, Inc., Charleston, West Virginia, or any qualified engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Costs" or "Costs of the Project" means those costs described in Section 1.02D hereof to be a part of the cost of acquisition and construction of the Project.

"Council" means the Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

"Escrow Agent" means the Escrow Agent under the Escrow Agreement, which shall be the Commission.

"Escrow Agreement" means the Escrow Agreement to be entered into between the Issuer and the Commission, providing for the defeasance and ultimate payment of the Prior Bonds, the deposit therein of proceeds of the Series 1994 Bonds and other moneys of the Issuer, the disposition of moneys in the various funds and accounts under the Prior Ordinance and other matters in connection therewith, the form of which shall be approved by the Supplemental Resolution.

"Escrow Fund" means the Escrow Fund established pursuant to the Escrow Agreement.

"FDIC" means the Federal Deposit Insurance Corporation and any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" means the Council of the Issuer, as it may now or hereafter be constituted.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Grant Agreement" means a written commitment for the payment of any Grant, specifying the amount of such Grant, the terms and conditions upon which such Grant is made and the date or dates or event or events upon which such Grant is to be paid to the Issuer.

"Grant Receipts" means all moneys received by the Issuer on account of any Grant.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided, that "Gross Revenues" does not include any gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Article 8.01 hereof) or any Tap Fees, as hereinafter defined.

"Herein," "hereto" and similar words shall refer to this entire Bond Legislation.

"Independent Certified Public Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer" means the City of Grafton, a municipal corporation in Taylor County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means the Loan Agreement to be entered into between the Authority and the Issuer, providing for the purchase of the Series 1994 Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

"Mayor" means the Mayor of the Issuer.

"Net Proceeds" means the face amount of the Series 1994 Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 1994 Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1994 Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.

"New Money Proceeds" means that portion of the proceeds of the Series 1994 Bonds to be used to finance the acquisition and construction of the Project.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Series 1994 Bonds and is not acquired in order to carry out the governmental purpose of the Series 1994 Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, operation and maintenance of the System, as hereinafter defined, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, Registrar and Paying Agent (all as herein defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Series 1994 Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond cancelled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder, and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

"Paying Agent" means the bank or banks or such other entity or authority as may be designated as a paying agent by the Issuer in the Supplemental Resolution.

"Prior Bonds" means the Issuer's Sewer Revenue Bonds, dated June 1, 1972, issued in the original aggregate principal amount of \$865,000.

"Prior Ordinance" means the ordinance of the Issuer adopted May 30, 1972, authorizing the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, or in any activity carried on by a person other than a natural person, including all persons "related" to such person within the meaning of Section 144(a)(3) of the Code, excluding, however, use by a state or local governmental unit and use as a member of the general public. All of the foregoing shall be determined in accordance with the Code, including, without limitation, giving due regard to "incidental use," if any, of the proceeds of the issue and/or proceeds used for "qualified improvements," if any.

"Program" means the Authority's loan program, under which the Authority purchases the water development revenue bonds of local governmental entities satisfying certain legal and other requirements with the proceeds of the water development revenue bonds of the Authority.

"Project" means the acquisition and construction of certain extensions, additions, betterments and improvements to the waterworks portion of the combined waterworks and sewerage system of the Issuer, consisting of replacement of approximately 8,500 feet of water line and replacement of service connections on approximately 11,000 feet of existing water line in Grafton; installation of two new booster stations and two water storage tanks to serve Lucretia and Pruntytown; upgrading the St. John booster station; installation of approximately 8,450 feet of water line and a water storage tank near Morosco; installation of a booster station and bladder tank to serve Morosco; conversion of distribution system from three to two pressure zones, elimination of valved connections between pressure zones, and provision of telemetering to the Issuer's garage, together with all appurtenant facilities.

"Qualified Investments" means and includes any of the following:

- (a) Government Obligations;
- (b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;
- (c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia State Board of Investments pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(i) Obligations of States or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Registered Owner," "Bondholder," "Holder" or any similar term means whenever used herein with respect to an outstanding Bond or Bonds, the person in whose name such Bond is registered.

"Registrar" means the Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code, or any predecessor thereto.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established by Section 5.01 hereof.

"Revenue Fund" means the Revenue Fund established by Section 5.01 hereof.

"Series 1994 Bonds" means the not more than \$3,000,000 aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, of the Issuer.

"Series 1994 Bonds Reserve Account" means the Series 1994 Bonds Reserve Account established in the Series 1994 Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1994 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1994 Bonds in the then current or any succeeding year.

"Series 1994 Bonds Sinking Fund" means the Series 1994 Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Ordinance and, when preceded by the article "the," refers specifically to the supplemental resolution authorizing the sale of the Series 1994 Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 1994 Bonds, and not so included may be included in another Supplemental Resolution.

"System" means the complete combined waterworks and sewerage system of the Issuer, as created by this Ordinance, in its entirety or any integral part thereof, and shall include the Project and any further extensions, additions, betterments and improvements thereto hereafter constructed or acquired from any sources whatsoever.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF COMBINING WATERWORKS AND SEWERAGE SYSTEMS, REFUNDING OF PRIOR BONDS AND ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Combining Waterworks and Sewerage Systems. The combining of the existing separate waterworks system and existing separate sewerage system of the Issuer into a combined waterworks and sewerage system of the Issuer is hereby authorized and ordered. In connection herewith, it is further authorized and ordered that the Sanitary Board of the Issuer be abolished and that the management, control and operation of the existing separate sewerage system be transferred from the Sanitary Board to the Issuer. On the Closing Date, the Issuer shall (1) transfer the revenue fund from its separate waterworks system and the revenue fund from its separate sewerage system to the Revenue Fund established by Section 5.01 hereof, and (2) transfer the depreciation fund from its separate waterworks system on deposit with Empire National Bank and the depreciation fund from its separate sewerage system on deposit with Chessie Federal Credit Union to the Renewal and Replacement Fund established by Section 5.01 hereof. The sinking fund, the reserve account therein, and all other accounts created on behalf of the Prior Bonds and currently held at the Commission shall, on the Closing Date, be transferred and disposed of in accordance with the Escrow Agreement.

Section 2.02. Authorization of Refunding of Prior Bonds. For the purpose of combining the existing separate waterworks system and the existing separate sewerage system of the Issuer into a combined waterworks and sewerage system of the Issuer, which the Issuer has determined would achieve efficiencies, all Prior Bonds Outstanding as of the date of issuance of the Series 1994 Bonds in the aggregate principal amount of \$685,000 are hereby authorized and ordered to be refunded pursuant to the Act and the terms of the Escrow Agreement, and the pledge of Net Revenues in favor of the Holders of such refunded Prior Bonds imposed by the Prior Ordinance, the moneys in the funds and accounts created by the Prior Ordinance and any other funds pledged by the Prior Ordinance thereto are hereby ordered terminated, discharged and released upon the payment into the Escrow Fund from the proceeds of the Series 1994 Bonds, and other moneys available therefor, of the following: (a) if required by the Escrow Agreement, an amount equal to the fiscal and paying agent charges and the Escrow Agent charges to become due and payable in connection with the Prior Bonds and (b) an amount which will be simultaneously invested in Government Obligations bearing interest and having maturities sufficient, together with certain cash which may also be deposited, to provide for the payment of the principal of, interest and redemption premium on such Prior Bonds on the first date upon which the entire aggregate amount of the Prior Bonds shall be redeemed, being December 1, 1994, all as set forth in the Escrow Agreement. Contemporaneously with the deposit of such Series 1994 Bond proceeds into the Escrow Fund, the amounts on deposit in the sinking fund, including the reserve account therein, and all other funds and accounts created and maintained on behalf of the Prior Bonds and currently held at the Commission shall, on the Closing Date, be deposited in the Escrow Fund or such other fund

or account as shall be set forth in the Escrow Agreement, and invested as provided in the Escrow Agreement and this Ordinance.

Section 2.03. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed \$3,000,000, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids or entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Authority.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of refunding all of the Outstanding Prior Bonds of the Issuer, capitalizing interest on the New Money Proceeds of the Series 1994 Bonds, funding a reserve account for the Series 1994 Bonds, paying costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 1994 Bonds of the Issuer. The Series 1994 Bonds shall be issued as a single Bond, designated "Combined Waterworks and Sewerage System Revenue Bond, Series 1994," in the principal amount of not more than \$3,000,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1994 Bonds remaining after funding of the Series 1994 Bonds Reserve Account (if funded from Bond proceeds) and capitalizing interest on the New Money Proceeds of the Series 1994 Bonds, if any, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Series 1994 Bonds shall bear interest at such rate or rates, not exceeding the then legal maximum, payable semiannually on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution. The Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Bonds shall be paid by check or draft of the Paying Agent or its agent, mailed to the registered owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1994 Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of the Series 1994 Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from the date so specified therein.

Section 3.03. Execution of Bonds. The Bonds shall be executed in the name of the Issuer by the Mayor and the City Manager, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the form set forth in Section 3.10 hereof shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting any of said Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Bonds remain outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in

writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1994 Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided and amounts, if any, in the Series 1994 Bonds Sinking Fund and the Series 1994 Bonds Reserve Account. No holder or holders of any of the Series 1994 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1994 Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service of all Series 1994 Bonds shall be secured forthwith equally and ratably with each other by a lien on the Gross Revenues derived from the System. Such Gross Revenues in an amount sufficient to pay the principal of and interest on and other payments for the

Series 1994 Bonds and to make the payments into the Renewal and Replacement Fund hereinafter established, and all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1994 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1994 Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 1994 Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1994 Bonds to the original purchasers; and

C. The unqualified approving opinion of bond counsel on the Series 1994 Bonds.

Section 3.10. Form of Series 1994 Bonds. The text of the Series 1994 Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF SERIES 1994 BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF GRAFTON
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 1994

No. R-_____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF GRAFTON, a municipal corporation and political subdivision of the State of West Virginia in Taylor County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit A hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit A.

The interest rate on each installment shall run from the original date of delivery of this Bond to the Authority and payment therefor, and until payment of such installment, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 199 _____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, dated _____, 199 ____.

This Bond is issued (i) to refund all of the outstanding Sewer Revenue Bonds of the Issuer, dated June 1, 1972 (the "Prior Bonds"), heretofore issued to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewerage system of the Issuer; (ii) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the waterworks portion of the combined waterworks and sewerage system of the Issuer, which system is being simultaneously combined herewith (the "Project"); (iii) [to pay interest on that portion of the Bonds of this Series (the "Bonds") to be used for acquisition and construction of the Project during the construction of the Project and for not more than 6 months thereafter; (iv) to fund a reserve account for the Bonds; and (v)] to pay certain costs of issuance hereof and related costs. The Project, the combined waterworks and sewerage system of the Issuer, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1994 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 1994 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided however, that so long as there exists in the Series 1994 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any

other obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the refunding of the Prior Bonds and payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF GRAFTON has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated _____, 199____.

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1994 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond
on the books kept for registration of the within Bond of the said Issuer with full power of
substitution in the premises.

Dated: _____, _____.

In the presence of:

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 1994 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor and City Manager are specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "Exhibit A" and made a part hereof, and the City Clerk is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. "Amended Schedule A" Filing. Upon completion of acquisition and construction of the Project, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund; and
- (3) Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with the Commission:

- (1) Series 1994 Bonds Sinking Fund; and
- (2) Within the Series 1994 Bonds Sinking Fund, the Series 1994 Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided.

- (1) The Issuer shall first (i) on the first day of each month, commencing 7 months prior to the first date of payment of interest on the Series 1994 Bonds for which interest has not been capitalized, apportion and set apart out of the Revenue Fund and remit to the Commission, for deposit in the Series 1994 Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 1994 Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1994 Bonds Sinking Fund and the next semiannual interest payment date is less than 7 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next semiannual interest payment date, the required amount of interest coming due on such date, and (ii) simultaneously with the transfer set forth in subsection 5.03A(1)(i), on the first day of each

month, commencing 13 months prior to the first date of payment of principal on the Series 1994 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1994 Bonds Sinking Fund, a sum equal to 1/12th of the amount of principal which will mature and become due on the Series 1994 Bonds on the next ensuing principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1994 Bonds Sinking Fund and the next annual principal payment date is less than 13 months, then such monthly payments shall be increased proportionately to provide, one month prior to the next annual principal payment date, the required amount of principal coming due on such date.

(2) The Issuer shall next, on the first day of each month, commencing 13 months prior to the first date of payment of principal of the Series 1994 Bonds, if not fully funded upon issuance of the Series 1994 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1994 Bonds Reserve Account, an amount equal to 1/120 of the Series 1994 Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1994 Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1994 Bonds Reserve Requirement.

(3) The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, commencing with the first month in which interest shall be payable from the Revenue Fund, transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1994 Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund.

(4) Thereafter, the Issuer shall, each month, pay from the Revenue Fund current Operating Expenses of the System.

Moneys in the Series 1994 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1994 Bonds as the same shall

become due. Moneys in the Series 1994 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1994 Bonds as the same shall come due, when other moneys in the Series 1994 Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1994 Bonds Sinking Fund and the Series 1994 Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Bond Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment due on the Series 1994 Bonds, and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1994 Bonds Reserve Account which result in a reduction in the balance of the Series 1994 Bonds Reserve Account to below the Series 1994 Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all required payments have been made in full to the Series 1994 Bonds Sinking Fund.

As and when additional Bonds ranking on a parity with the Series 1994 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum provided and required to be paid into the concomitant sinking fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such sinking fund.

The Issuer shall not be required to make any further payments into the Series 1994 Bonds Sinking Fund, or the Series 1994 Bonds Reserve Account therein when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 1994 Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1994 Bonds Sinking Fund created hereunder, and all amounts required for the Series 1994 Bonds Sinking Fund shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1994 Bonds Sinking Fund shall be made on the first day of each month, except that when the first day of any month shall be a Sunday or legal holiday, then such payments shall be made on the next succeeding business day, and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

Moneys in the Series 1994 Bonds Sinking Fund and the Series 1994 Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1994 Bonds Sinking Fund, including the Series 1994 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1994 Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the Series 1994 Bonds Sinking Fund, including the Series 1994 Bonds Reserve Account therein, and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues. Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay the charges, fees and expenses of the Depository Bank, the Commission, the Registrar and the Paying Agent.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

E. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Gross Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

F. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

G. The Gross Revenues of the System shall only be used for purposes of the System.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of any or all of the Series 1994 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1994 Bonds, there shall first be deposited with the Commission in the Series 1994 Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest on the New Money Proceeds of the Series 1994 Bonds; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1994 Bonds for the period commencing on the date of issuance of the Series 1994 Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1994 Bonds, there shall be deposited with the Commission in the Series 1994 Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 1994 Bonds Reserve Account.

C. Next, from the proceeds of the Series 1994 Bonds, there shall be deposited with the Commission in the Escrow Fund, the amount set forth in the Escrow Agreement which, together with other moneys or securities deposited therein and the earnings thereon, will be sufficient to accomplish the refunding and defeasance of the Prior Bonds.

D. Next, from the proceeds of the Series 1994 Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all other borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project and any borrowings by the Issuer from the Authority, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

E. The remaining moneys derived from the sale of the Series 1994 Bonds shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 hereof.

F. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond

Construction Trust Fund set forth in the Bond Legislation. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1994 Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. Payments for Costs of the Project shall be made monthly. Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund (except for the costs of issuance of the Series 1994 Bonds which shall be made upon request of the Issuer), shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating:

- (A) That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;
- (B) That each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;
- (C) That each of such costs has been otherwise properly incurred;
and
- (D) That payment for each of the items proposed is then due and owing.

In case any contract provides for the retention of a portion of the contract price, the Depository Bank shall disburse from the Bond Construction Trust Fund only the net amount remaining after deduction of any such portion. All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank written statements advising the Depository Bank of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, and all Costs have been paid, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1994 Bonds Reserve Account, and when fully funded, shall return such remaining moneys to the Issuer for deposit in the Revenue Fund; provided that, in no event shall more than 10% of the proceeds of the Series 1994 Bonds be deposited in the Series 1994 Bonds Reserve Account and any balance in excess of said

amounts shall be returned to the Issuer for deposit in the Revenue Fund. The Issuer shall thereafter, apply such moneys in full, first to the next ensuing interest payments due on the Series 1994 Bonds and thereafter to the next ensuing principal payments due thereon.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 1994 Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1994 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1994 Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1994 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1994 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1994 Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service of the Series 1994 Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Gross Revenues derived from the operation of the System. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 1994 Bonds and to make the payments into the Series 1994 Bonds Sinking Fund, including the Series 1994 Bonds Reserve Account therein, and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth in the water rate ordinance of the Issuer enacted December 22, 1992, and the sewer rate ordinance of the Issuer enacted April 16, 1991, which rates are incorporated herein by reference as a part hereof.

Section 7.05. Sale of the System. Except as otherwise required by law or with the written consent of the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease this Bond Legislation in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect

to the Series 1994 Bonds, immediately be remitted to the Commission for deposit in the Series 1994 Bonds Sinking Fund, and, with the written permission of the Authority, or in the event the Authority is no longer a Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal at maturity of and interest on the Series 1994 Bonds. Any balance remaining after the payment of all the Series 1994 Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of \$10,000 and not in excess of \$50,000, shall with the written consent of the Authority, be remitted by the Issuer to the Commission for deposit in the Series 1994 Bonds Sinking Fund and shall be applied only to the purchase of Bonds of the last maturities then Outstanding at prices not greater than the par value thereof plus 3% of such par value or otherwise. Such payment of such proceeds into the Series 1994 Bonds Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of over 50% in amount of the Bonds then Outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any other obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1994 Bonds. All obligations issued by the Issuer after the issuance of the Series 1994 Bonds and payable from the revenues of the System, except additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 1994 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts established by this Bond Legislation have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of any Bonds pursuant to this Bond Legislation, except under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1994 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding the Series 1994 Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the City Clerk a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate

amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

- (1) The Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Ordinance then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates enacted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the City Clerk prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the said Independent Certified Public Accountants, as stated in a certificate jointly made and signed by the Consulting Engineers and said Independent Certified Public Accountants, on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

Not later than simultaneously with the delivery of such Parity Bonds, the Issuer shall have entered into written contracts for the immediate construction or acquisition of such additions, betterments or improvements, if any, to the System that are to be financed by such Parity Bonds.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1994 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1994 Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Notwithstanding the foregoing, or any provision of Section 7.06 to the contrary, additional Parity Bonds may be issued solely for the purpose of completing the Project as described in the application to the Authority submitted as of the date of the Loan Agreement without regard to the restrictions set forth in this Section 7.07, if there is first obtained by the Issuer the written consent of the Authority to the issuance of the Parity Bonds.

Section 7.08. Books; Records and Facilities. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority, or its agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority such documents and information as it may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority, or its agents and representatives, to inspect all records pertaining to the operation of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Consulting Engineers, the Authority, or any other original purchaser of the Series 1994 Bonds, and shall mail in each year to any Holder or Holders of the Series 1994 Bonds, requesting the same, an annual report containing the following:

- (A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.
- (B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation and the status of all said funds and accounts.
- (C) The amount of any Bonds, notes or other obligations payable from the revenues of the System outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 1994 Bonds and shall submit said report to the Authority, or any other original purchaser of the Series 1994 Bonds. Such audit report submitted to the Authority shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service requirements.

The Issuer shall permit the Authority, or its agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the Project, the Issuer shall also provide the Authority, or its agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority with respect to the System pursuant to the Act.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law,

and copies of such rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 1994 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1994 Bonds, provided that, in the event that amounts equal to or in excess of the reserve requirements are on deposit respectively in the Series 1994 Bonds Reserve Account and any reserve accounts for obligations prior to or on a parity with the Series 1994 Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 1994 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1994 Bonds. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance described in Section 7.04.

Section 7.10. Operating Budget and Audit. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder of any Bonds or anyone acting for and in behalf of such Holder of any Bonds.

In addition, the Issuer shall annually cause the records of the System to be audited by an Independent Certified Public Accountant, the report of which audit shall be submitted to the Authority and which audit report shall include a statement that the Issuer is in compliance with the terms and provisions of this Bond Legislation and the Loan Agreement and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service requirements.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the Loan Agreement as Exhibit C, and forward a copy of such report to the Authority by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer agrees that qualified operating personnel properly certified by the State will be employed to operate the System during the entire term of the Loan Agreement.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent

permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System, to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of either shall avail itself or themselves of the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer, and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Renewal and

Replacement Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) PUBLIC LIABILITY INSURANCE, with limits of not less than \$500,000 per occurrence to protect the Issuer and the Issuer from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

(6) FIDELITY BONDS will be provided for every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

B. The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect

to works and properties similar to the Project. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Department of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Department of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30 day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the sewerage facilities portion of the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 7.17. Completion of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System in good condition and in compliance with all federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 7.18. Tax Covenants. The Issuer hereby further covenants and agrees as follows:

A. **PRIVATE BUSINESS USE LIMITATION.** The Issuer shall assure that (i) not in excess of 10% of the Net Proceeds of the Bonds are used for Private Business Use if, in addition, the payment of more than 10% of the principal or 10% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying

arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) and that, in the event that both (A) in excess of 5% of the Net Proceeds of the Bonds are used for a Private Business Use, and (B) an amount in excess of 5% of the principal or 5% of the interest due on the Bonds during the term thereof is, under the terms of the Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the Issuer, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said 5% of Net Proceeds of the Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the Project, or if the Bonds are for the purpose of financing more than one project, a portion of the Project, and shall not exceed the proceeds used for the governmental use of that portion of the Project to which such Private Business Use is related, all of the foregoing to be determined in accordance with the Code.

B. **PRIVATE LOAN LIMITATION.** The Issuer shall assure that not in excess of 5% of the Net Proceeds of the Bonds are used, directly or indirectly, to make or finance a loan (other than loans constituting Nonpurpose Investments) to persons other than state or local government units.

C. **FEDERAL GUARANTEE PROHIBITION.** The Issuer shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. **INFORMATION RETURN.** The Issuer will file all statements, instruments and returns necessary to assure the tax-exempt status of the Bonds and the interest thereon, including, without limitation, the information return required under Section 149(e) of the Code.

E. **FURTHER ACTIONS.** The Issuer will take any and all actions that may be required of it (including, without limitation, those deemed necessary by the Authority) so that the interest on the Series 1994 Bonds will be and remain excludable from gross income for federal income tax purposes, and will not take any actions, or fail to take any actions (including, without limitation, those deemed necessary by the Authority), the result of which would adversely affect such exclusion.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1994 Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be

valid and binding, shall take effect immediately upon delivery of the Series 1994 Bonds and shall be for the equal benefit of all Holders of the Series 1994 Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement and all applicable laws, rules and regulations issued by the Authority, or other State, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account, except as otherwise provided with respect to the Rebate Fund. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, the Depository Bank, or such other bank or national banking association, as the case may be, shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank, may make any and all investments permitted by this section through its own investment or trust department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 8.02. Arbitrage. The Issuer covenants that (i) it shall not take, or permit or suffer to be taken, any action with respect to the gross or other proceeds of the Series 1994 Bonds which would cause the Series 1994 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to the Series 1994 Bonds) so that the interest on the Series 1994 Bonds will be

and remain excludable from gross income for Federal income tax purposes, and will not take any actions which would adversely affect such exclusion.

Section 8.03. Small Issuer Exemption from Rebate of Excess Investment Earnings to the United States. In accordance with Section 148 (f)(4)(D) of the Code, the Issuer covenants that it is a governmental unit with general taxing powers; that no part of the Series 1994 Bonds are private activity bonds; that 95% or more of the Net Proceeds of the Series 1994 Bonds are to be used for local governmental activities of the Issuer (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the Issuer); and that the aggregate face amount of all the tax-exempt obligations (other than private activity bonds) issued by the Issuer during the calendar year in which the Series 1994 Bonds are issued does not and will not exceed \$5,000,000, determined in accordance with Section 148(f)(4)(D) of the Code and the Regulations from time to time in effect applicable to the Series 1994 Bonds. For purposes of the first paragraph of Section 8.03 and for purposes of applying Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this first paragraph of Section 8.03 and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefiting thereby shall be treated as one issuer.

Notwithstanding the foregoing, if in fact the Issuer is subject to the rebate requirements of Section 148(f) of the Code, and not exempted from such requirements, the Issuer covenants to make, or cause to be made, all rebate calculations, computations and payments in the time, manner and as required in Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1994 Bonds and otherwise covenants and agrees to comply with the provisions of such Section 148(f) of the Code and the Regulations from time to time in effect and applicable to the Series 1994 Bonds. In the event of a failure to pay any such amount or amounts, the Issuer will pay, from any lawful sources available therefor, to the United States an amount equal to the sum of 50% of the amount not paid, plus interest at the required rate on the portion of the amount which was not paid on the required date, beginning on such date, unless waived. In order to provide for the administration of this paragraph, the Issuer may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Issuer may deem appropriate.

The Issuer shall furnish to the Authority, annually, and at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information relating thereto as may be

requested by the Authority. In addition, the Issuer shall cooperate with the Authority in preparing any required rebate calculations and in all other respects in connection with rebates and hereby consents to the performance of all matters in connection with such rebates by the Authority at the expense of the Issuer.

The Issuer shall submit to the Authority within 15 days following the end of each Bond Year a certified copy of its rebate calculation or, if the Issuer qualifies for the small governmental issue exception to rebate, the Issuer shall submit a certificate stating that it is exempt from the rebate provisions and that no event has occurred to its knowledge during the Bond Year which would make the Series 1994 Bonds subject to rebate. The Issuer shall also furnish the Authority, at any time, such additional information relating to rebate as may be reasonably requested by the Authority, including information with respect to earnings on all funds constituting "gross proceeds" of the Bonds (as such term "gross proceeds" is defined in the Code).

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Bonds:

- (1) If default occurs in the due and punctual payment of the principal of or interest on any Bonds; or
- (2) If default occurs in the Issuer's or the Issuer's observance of any of the covenants, agreements or conditions on their respective parts relating to the Bonds set forth in this Bond Legislation, any supplemental resolution or in the Bonds, and such default shall have continued for a period of 30 days after the Issuer or Issuer, as appropriate shall have been given written notice of such default by the Commission, the Depository Bank, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond; or
- (3) If the Issuer or Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any Registered Owner of a Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Bonds; (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds, or the rights of such Registered Owners.

Section 9.03. Appointment of Receiver. Any Registered Owner of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System or to complete the

acquisition and construction of the Project on behalf of the Issuer with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

The receiver so appointed shall forthwith, directly or by his or her or its agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate and maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Bonds and interest thereon and under any covenants of this Bond Legislation for Reserve, Sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the acquisition and construction of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest on the Series 1994 Bonds from gross income for federal income tax purposes.

Series 1994 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1994 Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1994 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1994 Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1994 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. No material modification or amendment of this Bond Legislation, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Bonds shall be made without the consent in writing of the Registered Owners of 66-2/3% or more in principal amount of the Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Series 1994 Bonds from gross income of the Holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the Supplemental Resolution or the Bonds.

Section 11.04. Headings, Etc. The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed.

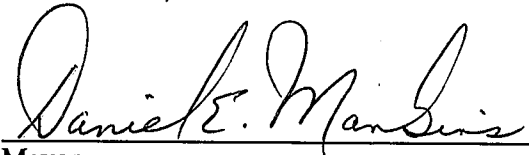
Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Ordinance do exist, have happened,

have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the City Clerk and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

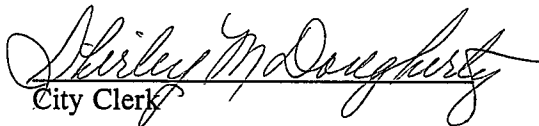
Section 11.07. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in the Mountain Statesman, a newspaper published and of general circulation in the City of Grafton, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Bonds, and that any person interested may appear before the Council upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

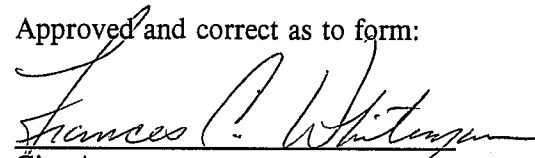
Passed on First Reading - May 3, 1994
Passed on Second Reading - May 17, 1994
Passed on Final Reading
Following Public
Hearing - June 7, 1994


Mayor

Attest:


City Clerk

Approved and correct as to form:

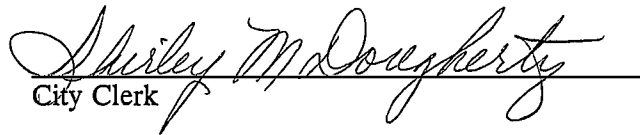

City Attorney

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the CITY
OF GRAFTON on the 7th day of June, 1994.

Dated: July 27, 1994.

[SEAL]


City Clerk

06/27/94
GRAFC.A4
34572/93001

CITY OF GRAFTON

Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994, OF THE CITY OF GRAFTON; AUTHORIZING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AUTHORIZING AND APPROVING AN ESCROW AGREEMENT; DESIGNATING A REGISTRAR, PAYING AGENT, DEPOSITORY BANK AND ESCROW AGENT; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the council (the "Governing Body") of the City of Grafton (the "Issuer"), has duly and officially adopted and enacted a bond ordinance, effective June 7, 1994 (the "Bond Ordinance"), entitled:

ORDINANCE COMBINING THE EXISTING SEPARATE WATERWORKS SYSTEM AND EXISTING SEPARATE SEWERAGE SYSTEM OF THE CITY OF GRAFTON INTO A COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY; PROVIDING FOR THE TRANSFER OF MANAGEMENT, CONTROL AND OPERATION OF THE EXISTING SEPARATE SEWERAGE SYSTEM TO THE CITY AND ABOLISHING THE SANITARY BOARD OF THE CITY; AUTHORIZING THE REFUNDING OF THE OUTSTANDING SEWER REVENUE BONDS, DATED JUNE 1, 1972, OF THE CITY AND THE ACQUISITION AND CONSTRUCTION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS PORTION OF THE COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE CITY OF NOT MORE

THAN \$3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 1994; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Ordinance;

WHEREAS, the Bond Ordinance provides for the issuance of Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, of the Issuer (the "Bonds" or the "Series 1994 Bonds"), in the aggregate principal amount not to exceed \$3,000,000, and has authorized the execution and delivery of a loan agreement relating to the Bonds to be dated the date of delivery of the Bonds (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"); and in the Bond Ordinance it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Loan Agreement has been presented to the Issuer at this meeting;

WHEREAS, the Bonds are proposed to be purchased by the Authority pursuant to the Loan Agreement; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Loan Agreement be approved and entered into by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provision, the interest rate, the interest and principal

payment dates and the sale price of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF GRAFTON:

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, of the Issuer, originally represented by a single Bond, numbered R-1, in the principal amount of \$2,830,000. The Series 1994 Bonds shall be dated the date of delivery thereof, shall finally mature October 1, 2033, shall bear interest at the rate of 6.75% per annum, payable semiannually on April 1 and October 1 of each year, first interest payable October 1, 1994, shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1994 Bonds, and shall be payable in installments of principal on October 1 in each of the years 1995 through 2033, inclusive, all as set forth in "Schedule X" attached to the Loan Agreement and incorporated in and made a part of the Bonds. The Issuer shall, if requested by the Authority, exchange the Bond for one or more series of Bonds as provided herein and in the Bond Ordinance; provided that, the aggregate principal amount and the net interest cost amount of the exchanged Bonds do not exceed \$2,830,000 and 6.75% respectively, and the exchanged Bonds have in the aggregate substantially similar principal installments.

Section 2. All other provisions relating to the Bonds shall be as provided in the Bond Ordinance, except that the FORM OF SERIES 1994 BOND set forth in Section 3.10 of the Bond Ordinance is hereby amended and shall be as set forth in EXHIBIT A attached hereto and incorporated herein. In addition, the second paragraph of Section 3.02 of the Bond Ordinance is hereby amended to read as follows:

Unless otherwise provided by the Supplemental Resolution, the Series 1994 Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a debt service schedule attached, representing the aggregate principal amount of the Series 1994 Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Bonds shall be exchangeable at the option and expense of the Registered Owner for one or more series of fully registered Bonds in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, substantially corresponding to the principal installments or maturities of the Bonds being exchanged; provided that, the net interest cost amount on the exchanged Bonds shall not exceed the net interest cost amount on the Bonds

being exchanged; provided further that, the Authority shall not be obligated to pay any expenses of such exchange.

Section 3. The Issuer does hereby authorize, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, directed and approved. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar") for the Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, in substantially the form attached hereto, and the execution and delivery of the Registrar's Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds, and to serve as Escrow Agent in connection with the refunding of the Prior Bonds.

Section 6. The Issuer does hereby appoint First Community Bank, Inc., Grafton, West Virginia, as Depository Bank under the Bond Ordinance.

Section 7. Series 1994 Bonds proceeds in the amount of \$0- shall be deposited in the Series 1994 Bonds Sinking Fund, as capitalized interest.

Section 8. Series 1994 Bonds proceeds in the amount of \$207,249 shall be deposited in the Series 1994 Bonds Reserve Account.

Section 9. Series 1994 Bonds proceeds in the amount of \$250,000, together with other moneys of the Issuer, shall be deposited in the Escrow Fund to refund the Prior Bonds to their first redemption date, being December 1, 1994.

Section 10. The balance of the proceeds of the Series 1994 Bonds shall be deposited in or credited to the Bond Construction Trust Fund as received from time to time for payment of Costs of the Project, including costs of issuance of the Series 1994 Bonds.

Section 11. The Issuer hereby determines to pay, on the date of delivery of the Bonds and receipt of proceeds thereof, all borrowings of the Issuer heretofore incurred for the purpose of temporarily financing a portion of the Costs of the Project, if any,

including, but not limited to, all borrowings from the Issuer's general fund or from the Authority.

Section 12. The Mayor, City Manager and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the refunding of the Prior Bonds, the issuance of the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about July 27, 1994, to the Authority pursuant to the Loan Agreement. The Mayor, City Manager and City Clerk are also hereby authorized and directed to exchange and execute the Bonds as provided herein and in the Bond Ordinance if requested by the Authority.

Section 13. The acquisition and construction of the project and the financing thereof in part with proceeds of the Bonds is in the public interest, serves a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

Section 14. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements or time accounts, until further directed in writing by the Issuer. Moneys in the Series 1994 Bonds Sinking Fund, including the Series 1994 Bonds Reserve Account therein, shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 15. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations to be promulgated thereunder.

Section 16. The Issuer is a governmental unit with general taxing powers to finance operations of or facilities of the nature of the Project and the System; no part of the Bonds are private activity bonds; 95% or more of the net proceeds of the Bonds are to be used for local governmental activities of the Issuer; and the Issuer reasonably expects to issue less than \$5,000,000 aggregate principal face amount of tax-exempt obligations (other than private activity bonds) during the calendar year 1994, being the calendar year in which the Bonds are to be issued. For purposes of this Section and for purposes of applying Section 148(f)(4)(D) of the Code, the Issuer and all entities which issue obligations on behalf of the Issuer shall be treated as one issuer; all obligations issued by a governmental

unit to make loans to other governmental units with general taxing powers not subordinate to such unit shall, for purposes of applying this Section and Section 148(f)(4)(D) of the Code, be treated as not issued by such unit; all obligations issued by a subordinate entity shall, for purposes of applying this Section and Section 148(f)(4)(D) of the Code to each other entity to which such entity is subordinate, be treated as issued by such other entity; and an entity formed (or, to the extent provided by the Secretary, as set forth in the Code, availed of) to avoid the purposes of such Section 148(f)(4)(D) of the Code and all other entities benefiting thereby shall be treated as one issuer.

Section 17. The Issuer does hereby authorize, approve and accept the Escrow Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Escrow Agreement by the Mayor, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, directed and approved.

Section 18. The Escrow Agent is hereby authorized and instructed to purchase the Government Securities listed on Schedule A of the Escrow Agreement in accordance with the provisions of the Escrow Agreement.

Section 19. The Escrow Agent is hereby authorized and directed to transfer from the sinking fund and reserve account therein, and the depreciation account created for the Prior Bonds, and held by the West Virginia Municipal Bond Commission, the amounts set forth in the Escrow Agreement, to the Escrow Fund.

Section 20. The firm of Smith, Cochran & Hicks, Certified Public Accountants, Charleston, West Virginia, is hereby engaged for the purposes of verifying the yield of the Bonds, the yield and sufficiency of the Escrow Fund, and savings, if any, resulting from the refunding of the Prior Bonds.

Section 21. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 19th day of July, 1994.

CITY OF GRAFTON

Daniel E. Mansueto
Mayor

Attest:

Shirley McDougherty
City Clerk

Approved and correct as to form:

Frances P. Whittemore
City Attorney

EXHIBIT A

(FORM OF SERIES 1994 BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF GRAFTON
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 1994

No. R-_____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF GRAFTON, a municipal corporation and political subdivision of the State of West Virginia in Taylor County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit B.

The interest on such advances shall run from the date of each such advance, and such interest shall be payable on April 1 and October 1 in each year, beginning _____ 1, 199 _____. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, dated _____, 199_____.

This Bond is issued (i) to refund all of the outstanding Sewer Revenue Bonds of the Issuer, dated June 1, 1972 (the "Prior Bonds"), heretofore issued to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewerage system of the Issuer; (ii) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the waterworks portion of the combined waterworks and sewerage system of the Issuer, which system is being simultaneously combined herewith (the "Project"); (iii) [to pay interest on that portion of the Bonds of this Series (the "Bonds") to be used for acquisition and construction of the Project during the construction of the Project and for not more than 6 months thereafter; (iv) to fund a reserve account for the Bonds; and (v)] to pay certain costs of issuance hereof and related costs. The Project, the combined waterworks and sewerage system of the Issuer, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer on _____, 199_____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199_____, (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1994 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 1994 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of

and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided however, that so long as there exists in the Series 1994 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the refunding of the Prior Bonds and payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF GRAFTON has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated _____, 199____.

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1994 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

ONE VALLEY BANK, NATIONAL
ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT		DATE	AMOUNT		DATE
(1)	\$		(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	
TOTAL			\$		

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto
the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond
on the books kept for registration of the within Bond of the said Issuer with full power of
substitution in the premises.

Dated: _____, _____.

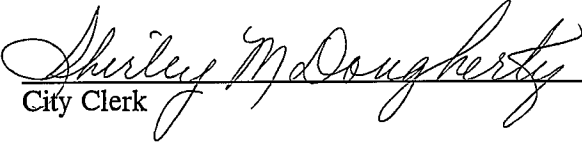
In the presence of:

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council
of the CITY OF GRAFTON on the 19th of July, 1994.

Dated: July 27, 1994.

[SEAL]


City Clerk

07/19/94
GRAFC.I4
345720/93001

LOAN AGREEMENT

THIS LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), and the governmental agency designated below (the "Governmental Agency").

CITY OF GRAFTON
(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 20, Article 5C, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered to make loans to governmental agencies for the acquisition or construction of water development projects by such governmental agencies and to issue water development revenue bonds of the State of West Virginia (the "State") to finance, in whole or in part, by loans to governmental agencies, one or more water development projects, all subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a water development project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct, is constructing or has constructed such a water development project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by Section 5 of the Act and having available sufficient funds therefor, the Authority is willing to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with proceeds of certain water development revenue bonds of the State issued by the Authority pursuant to and in accordance with the provisions of the Act and a certain general revenue bond resolution adopted by the Board of the Authority (the "General Resolution"), as supplemented, subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Authority's water development loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "water development revenue bond," "cost," "governmental agency," "water development project," "wastewater facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political sub-divisions, and designated in the Application and any qualified successor thereto.

1.3 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.4 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Bonds.

1.5 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority with a portion of the proceeds of its water development revenue bonds, all in accordance with the provisions of this Loan Agreement.

1.6 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.7 "Origination Fee" means the fee paid by a Governmental Agency with respect to its participation in the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987, to provide funds for the acquisition and construction of wastewater Projects.

1.8 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.9 "Project" means the water development project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Governmental Agency in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

1.10 "System" means the water development project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.11 Additional terms and phrases are defined in this Loan Agreement as they are used.

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority having found, to the extent applicable, that the Project is consistent with the applicable comprehensive plan of water management approved by the Director of the West Virginia Division of Natural Resources* (or in the process of preparation by such

* Now administered by the West Virginia Division of Environmental Protection.

Director), has been approved by the West Virginia Bureau of Public Health and is consistent with the standards set by the West Virginia Water Resources Board for the waters of the State affected thereby.

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and of the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property is approved by the Authority.

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents and representatives shall, prior to, at and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority with respect to the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project, the operation and maintenance of the System and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents and representatives to have access to the records of the Governmental Agency pertaining to the operation

and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

2.7 The Governmental Agency shall require that each construction contractor furnish a performance bond and a payment bond, each in an amount at least equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract, as security for the faithful performance of such contract.

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds is outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Loan Agreement.

2.11 The Governmental Agency hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

2.12 The Governmental Agency, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

3.1 The agreement of the Authority to make the Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Local Bonds, which shall be the date established pursuant to Section 3.4 hereof. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

(c) The Governmental Agency shall either have received bids or entered contracts for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application; provided, that, if the Loan will refund an interim financing of construction, the Governmental Agency must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority shall have received a certificate of the Consulting

Engineers to such effect the form of which certificate is attached hereto as Exhibit A;

(d) No Loan shall be made for the purpose of refinancing any outstanding long-term indebtedness of a Governmental Agency unless an opinion of counsel is received by the Authority to the effect that such refinancing is permitted by the Act and the Resolution, and that such refinancing will not cause a violation of any covenant, representation or agreement of the Authority contained in the Resolution or Tax Regulatory Agreement with respect to the exclusion of the interest on the Bonds from gross income of the holder thereof for federal income tax purposes;

(e) The Governmental Agency shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(f) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(g) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(h) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project) with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the

accountants for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

(j) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of water development projects and satisfactory to the Authority, to such effect, such certificate to be in form and substance satisfactory to the Authority, and evidence satisfactory to the Authority of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Loan shall be secured and shall be repaid in the manner hereinafter provided in this Loan Agreement.

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied

to the Authority for loans to finance water development projects and that the obligation of the Authority to make any such loan is subject to the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the right of the Authority to make such loans to other governmental agencies as in the aggregate will permit the fullest and most timely utilization of such proceeds to enable the Authority to pay debt service on the water development revenue bonds issued by it. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until it has available funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available. The Governmental Agency further specifically recognizes that during the last 90 days of a period to originate Loans from its water development revenue bond proceeds, the Authority may execute Loan Agreements, commit moneys and close Local Bond sales in such order and manner as it deems in the best interest of the Program.

ARTICLE IV

Local Bonds; Security for Loan; Repayment of Loan; Interest on Loan; Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(a) That the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as set forth on Schedule Y attached hereto and incorporated herein by reference. The gross revenues of the System shall always be used for purposes of the System.

~~(b) Covenants substantially as follows:~~

(i) That the Local Bonds shall be secured by the gross or net revenues from the System, as more fully set forth in Schedules X and Y attached hereto;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least

one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the reserve account established for the payment of debt service on the Local Bonds (the "Reserve Account") is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement") and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

(iii) That the Governmental Agency will complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or with the written consent of the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

(vii) That the Governmental Agency will not render any free services of the System;

(viii) That any Local Bond owner may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law;

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

(x) That, to the extent legally allowable, the Governmental Agency will not grant any franchise to provide any services which would compete with the System;

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Governmental Agency's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority within 30 days of adoption thereof;

(xiii) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Local Bonds, except for accrued interest and capitalized interest, if any, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim funding of such Governmental Agency, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the

Authority, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency shall not authorize redemption of any Local Bonds by it without the written consent of the Authority and otherwise in compliance with this Loan Agreement;

(xvi) That, unless it qualifies for an exception to the provisions of Section 148 of the Code, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xvii) That the Governmental Agency shall take any and all action, or shall refrain from taking any action, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for Federal income tax purposes of interest on the Authority's water development revenue bonds;

(xviii) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached to the Loan Application, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority, the Project is adequate for the purposes for which it was designed and the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project;

(xix) That the Governmental Agency shall, to the full extent permitted by applicable law and the rules and regulations of the West Virginia Public Service Commission, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Governmental Agency, then the Governmental Agency shall enter into a termination agreement with the water provider; and

(xx) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that

term is defined in the Code) from time to time as the Authority may request.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, sale and delivery of the Local Bonds shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit B.

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority.

4.3 An Origination Fee Account shall be established with the Trustee to hold the portion of the proceeds of any Loan established to fund an Origination Fee. Amounts on deposit in an Origination Fee Account shall belong to the Governmental Agency receiving the related Loan, but such amounts may only be disbursed from the Account to pay the Origination Fee as and when required to satisfy the requirements of the State's Revolving Fund program established pursuant to Title VI of the Water Quality Act of 1987 or for such other purposes as the Authority may approve in writing.

4.4 The principal of the Loan shall be repaid by the Governmental Agency annually on the day and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a semiannual basis as provided in said Schedule X.

4.5 The Loan shall bear interest from the date of the delivery to the Authority of the Local Bonds until the date of payment thereof, at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.6 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.7 The Governmental Agency agrees to pay from time to time, as required by the Authority, the Governmental Agency's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be as determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for the water development revenue bonds. The Authority shall provide both the Governmental Agency and the trustee for the water development revenue bonds with a schedule of such fees and charges, and the Governmental Agency shall pay such fees and charges on the dates indicated directly to the trustee. The Governmental Agency hereby specifically authorizes the Authority to exercise the powers granted it by Section 9.06 of the General Resolution.

4.8 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the Authority's bonds.

4.9 As long as the Authority is the owner of any of the Local Bonds outstanding, the Governmental Agency shall not redeem any of such Local Bonds outstanding without the written consent of the Authority, and any such redemption of Local Bonds authorized by the Authority shall provide for the payment of interest to the first allowable redemption date for the applicable water development revenue bonds, the redemption premium payable on the applicable water development revenue bonds redeemable as a consequence of such redemption of Local Bonds and the costs and expenses of the Authority in effecting any such redemption, all as further prescribed by Section 9.11 of the General Resolution. Nothing in this Loan Agreement shall be construed to prohibit the Authority from refunding applicable water development revenue bonds, and such refunding need not be based upon or result in any benefit to the Governmental Agency.

ARTICLE V

Certain Covenants of the Governmental Agency;
Imposition and Collection of User Charges;
Payments To Be Made by
Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in

the Local Act and in compliance with the provisions of Subsection 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under Section 6a of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges with respect to water development projects in the event of default by governmental agencies in the terms and covenants of loan agreements, and the Governmental Agency hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

6.2 At the option of the Authority, the Governmental Agency shall issue and sell to the Authority additional, subordinate bonds to evidence the Governmental Agency's obligation to repay to the Authority any grant received by the Governmental Agency from the Authority in excess of the amount to which the Governmental Agency is entitled pursuant to applicable policies or rules and regulations of the Authority. Also at the option of the

Authority, the Governmental Agency may issue and sell to the Authority additional, subordinate bonds for such purposes as may be acceptable to the Authority.

6.3 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Loan and receiving the Local Bonds, the Authority shall have the right to cancel all or any of its obligations under this Loan Agreement if (a) any representation made to the Authority by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of this Loan Agreement.

6.4 The Governmental Agency hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority for the planning or design of the Project, and such repayment shall be a condition precedent to the Authority's making the Loan.

6.5 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Governmental Agency fails to make any such rebates as required, then the Governmental Agency shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for Federal income tax purposes of interest on the Local Bonds.

6.6 Notwithstanding Section 6.5, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

6.7 The Governmental Agency hereby agrees to give the Authority prior written notice of the issuance by it of any other obligations to be used for the Project, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.8 The Governmental Agency hereby agrees to file with the Authority upon completion of acquisition and construction of

the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency are set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 Schedule X shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Governmental Agency supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.3 If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement, and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Loan Agreement.

7.5 No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

7.6 This Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Loan and constitutes the entire agreement between the parties hereto in respect thereof.

7.7 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be

specifically enforced or subject to a similar equitable remedy by the Authority.

7.8 This Loan Agreement shall terminate upon the earlier of:

(i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;

(ii) termination by the Authority pursuant to Section 6.3 hereof; or

(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

City of Grafton
[Proper Name of Governmental Agency]

(SEAL)

By: Daniel E. Mansie
Its: Mayor

Attest:

Shirley McDougherty
Its: City Clerk

By: Donna C. Hoyer
Its: City Manager

Date: July 27, 1994

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: Daniel B. Yorks
Director

Attest:

Barbara B. Meadows
Secretary-Treasurer

Date: July 27, 1994

WDA-5X
(May 1993)

SCHEDULE X
DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds \$2,830,000.00

Purchase Price of Local Bonds \$2,830,000.00

Interest on the Local Bonds is payable on April 1 and October 1 in each year, beginning with the first semiannual interest payment date after delivery of the Local Bonds to the Authority, until the Local Bonds are paid in full, at the rate of 6.75 % per annum. Principal of the Local Bonds is payable on October 1 in each year as set forth on Exhibit 1 attached hereto and incorporated herein by reference.

As of the date of the Loan Agreement, the Local Bonds are on a parity as to source of and security for payment with the following obligations:

As of the date of the Loan Agreement, the Local Bonds are subordinate as to source of and security for payment to the following obligations:

West Virginia Water Development Authority
Bridge Financing Program
Debt Service Schedule - City of Grafton

Closing July 27, 1994
Total Amount Borrowed: \$2,830,000.00

Avg Coup = 6.75%
TIC = 6.752767%
NIC = 6.750000%
Yield = 6.752767%
WAM = 27.68 yrs.

Date	Coupon	Principal	Interest	Total Debt Service
10/1/94	6.75%	0.00	33,960.00	33,960.00
10/1/95	6.75%	16,223.49	191,024.98	207,248.47
10/1/96	6.75%	17,318.57	189,929.89	207,248.46
10/1/97	6.75%	18,487.57	188,760.89	207,248.46
10/1/98	6.75%	19,735.48	187,512.98	207,248.46
10/1/99	6.75%	21,067.62	186,180.84	207,248.46
10/1/00	6.75%	22,489.68	184,758.78	207,248.46
10/1/01	6.75%	24,007.73	183,240.73	207,248.46
10/1/02	6.75%	25,628.26	181,620.21	207,248.47
10/1/03	6.75%	27,358.17	179,890.30	207,248.47
10/1/04	6.75%	29,204.85	178,043.62	207,248.47
10/1/05	6.75%	31,176.17	176,072.29	207,248.46
10/1/06	6.75%	33,280.57	173,967.90	207,248.47
10/1/07	6.75%	35,527.00	171,721.46	207,248.46
10/1/08	6.75%	37,925.07	169,323.39	207,248.46
10/1/09	6.75%	40,485.01	166,763.45	207,248.46
10/1/10	6.75%	43,217.75	164,030.71	207,248.46
10/1/11	6.75%	46,134.95	161,113.51	207,248.46
10/1/12	6.75%	49,249.06	157,999.40	207,248.46
10/1/13	6.75%	52,573.37	154,675.09	207,248.46
10/1/14	6.75%	56,122.07	151,126.39	207,248.46
10/1/15	6.75%	59,910.32	147,338.15	207,248.47
10/1/16	6.75%	63,954.26	143,294.20	207,248.46
10/1/17	6.75%	68,271.17	138,977.29	207,248.46
10/1/18	6.75%	72,879.47	134,368.99	207,248.46
10/1/19	6.75%	77,798.83	129,449.63	207,248.46
10/1/20	6.75%	83,050.25	124,198.21	207,248.46
10/1/21	6.75%	88,656.14	118,592.32	207,248.46
10/1/22	6.75%	94,640.43	112,608.03	207,248.46
10/1/23	6.75%	101,028.66	106,219.80	207,248.46
10/1/24	6.75%	107,848.10	99,400.37	207,248.47
10/1/25	6.75%	115,127.84	92,120.62	207,248.46
10/1/26	6.75%	122,898.97	84,349.49	207,248.46
10/1/27	6.75%	131,194.65	76,053.81	207,248.46
10/1/28	6.75%	140,050.29	67,198.17	207,248.46
10/1/29	6.75%	149,503.68	57,744.78	207,248.46
10/1/30	6.75%	159,595.19	47,653.28	207,248.47
10/1/31	6.75%	170,367.86	36,880.60	207,248.46
10/1/32	6.75%	181,867.69	25,380.77	207,248.46
10/1/33	6.75%	194,143.76	13,104.70	207,248.46
		<u>\$2,830,000.00</u>	<u>\$5,286,650.02</u>	<u>\$8,116,650.02</u>

Prepared 7/8/94

PaineWebb

SCHEDULE Y
REVENUES

In accordance with Subsection 4.1(a) of the Loan Agreement, the revenues generated from the operation of the System will be used monthly, in the order of priority listed, as follows:

(i) to the extent not otherwise limited by an outstanding local ordinance, indenture or other act or document, as reflected on Schedule X to the Loan Agreement, and beginning seven (7) months prior to the first date of payment of interest on the Local Bonds from revenues and thirteen (13) months prior to the first date of payment of principal of the Local Bonds, respectively, to provide debt service on the Local Bonds by depositing in a sinking fund one-sixth (1/6) of the interest payment next coming due on the Local Bonds and one-twelfth (1/12) of the principal payment next coming due on the Local Bonds and, beginning thirteen (13) months prior to the first date of payment of principal of the Local Bonds, if the Reserve Account was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof (which, with an approving opinion of bond counsel to the Governmental Agency, may be with a letter of credit) in an amount equal to the Reserve Requirement, by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) (or such other amount as shall be acceptable to the Authority and as shall fund the Reserve Account over not more than ten (10) years) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account;

(iii) to provide debt service on and requisite reserves for any subordinate indebtedness of the Governmental Agency held or owned by the Authority;

(iv) to pay Operating Expenses of the System; and

(v) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

SCHEDULE Z

Additional and Supplemental Definitions

1. "Local Statute" means Chapter 8, Article 19, of the Code of West Virginia, 1931, as amended.

2. "System" means the waterworks system owned by the Governmental Agency in its entirety or any integral part thereof, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to a water supply system, and any additions, betterments or improvements thereto hereafter constructed or acquired from any sources whatsoever and includes the Project.

Additional Conditions and Covenants

1. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall have obtained, among other permits required, a permit from the West Virginia Bureau of Public Health.

2. The Local Act shall contain a covenant substantially as follows:

That the Governmental Agency will, to the full extent permitted by applicable law and the rules and regulations of the PSC, discontinue and shut off the services and facilities of the System to all users of services of the System delinquent in payment of charges for the services of the System and will not restore the services of the System until all delinquent charges for the services of the System have been fully paid.

3. Subject to any prior or parity obligations described in Schedules X and Y attached to the Loan Agreement, the gross revenues derived from the operation of the System are pledged to the payment of the principal of and interest on the Local Bonds.

4. The paying agent for the Local Bonds shall be the West Virginia Municipal Bond Commission or any successor to the functions thereof.

5. As a condition precedent to the Authority's making the Loan, the Governmental Agency shall deliver to the Authority a certificate representing the following:

- (a) The Governmental Agency expects to enter into a contract within six months of the date thereof for the construction of the Project, and the amount to be expended pursuant to such contract exceeds the lesser of 2-1/2 percent of the estimated total Project cost financed with proceeds from the sale of the Local Bonds or \$100,000;
- (b) Work with respect to the construction of the Project will proceed with due diligence to completion. Construction is expected to be completed within three years from the date of issuance of the Authority's water development revenue bonds;
- (c) All of the proceeds from the sale of the Local Bonds which will be used for payment of costs of the Project will be expended for such purpose within three years from the date of issuance of the Authority's water development revenue bonds; and
- (d) The Governmental Agency does not expect to sell or otherwise dispose of the Project, in whole or in part, prior to the last maturity date of the Local Bonds.

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF GRAFTON
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES 1994

No. R-1

\$2,830,000

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF GRAFTON, a municipal corporation and political subdivision of the State of West Virginia in Taylor County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of TWO MILLION EIGHT HUNDRED THIRTY THOUSAND DOLLARS (\$2,830,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in installments on October 1 of each year as set forth on the "Schedule of Annual Debt Service" attached as Exhibit B hereto and incorporated herein by reference with interest on each installment at the rate per annum set forth on said Exhibit B.

The interest on such advances shall run from the date of each such advance, and such interest shall be payable on April 1 and October 1 in each year, beginning October 1, 1994. Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, dated July 27, 1994.

This Bond is issued (i) to refund all of the outstanding Sewer Revenue Bonds of the Issuer, dated June 1, 1972 (the "Prior Bonds"), heretofore issued to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewerage system of the Issuer; (ii) to pay a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the waterworks portion of the combined waterworks and sewerage system of the Issuer, which system is being simultaneously combined herewith (the "Project"); (iii) to fund a reserve account for the Bonds of this Series (the "Bonds"); and (iv) to pay certain costs of issuance hereof and related costs. The Project, the combined waterworks and sewerage system of the Issuer, and any further extensions, additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and an Ordinance duly enacted by the Issuer on June 7, 1994, and a Supplemental Resolution duly adopted by the Issuer on July 19, 1994 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, and from moneys in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 1994 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the moneys in the Series 1994 Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds; provided however, that so long as there exists in the Series 1994 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other

obligations outstanding prior to or on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the refunding of the Prior Bonds and payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF GRAFTON has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be hereunto affixed and attested by its City Clerk, and has caused this Bond to be dated July 27, 1994.

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1994 Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: July 27, 1994.

ONE VALLEY BANK, NATIONAL
ASSOCIATION,
as Registrar

By _____
Its Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

AMOUNT		DATE	AMOUNT		DATE
(1)	\$		(7)	\$	
(2)	\$		(8)	\$	
(3)	\$		(9)	\$	
(4)	\$		(10)	\$	
(5)	\$		(11)	\$	
(6)	\$		(12)	\$	

TOTAL \$ _____

EXHIBIT B - SCHEDULE OF ANNUAL DEBT SERVICE

West Virginia Water Development Authority
 Bridge Financing Program
 Debt Service Schedule - City of Grafton

Closing July 27, 1994
 Total Amount Borrowed: \$2,830,000.00

Avg Coup = 6.75%
 TIC = 6.752767%
 NIC = 6.750000%
 Yield = 6.752767%
 WAM = 27.68 yrs.

Date	Coupon	Principal	Interest	Total Debt Service
10/1/94	6.75%	0.00	33,960.00	33,960.00
10/1/95	6.75%	16,223.49	191,024.98	207,248.47
10/1/96	6.75%	17,318.57	189,929.89	207,248.46
10/1/97	6.75%	18,487.57	188,760.89	207,248.46
10/1/98	6.75%	19,735.48	187,512.98	207,248.46
10/1/99	6.75%	21,067.62	186,180.84	207,248.46
10/1/00	6.75%	22,489.68	184,758.78	207,248.46
10/1/01	6.75%	24,007.73	183,240.73	207,248.46
10/1/02	6.75%	25,628.26	181,620.21	207,248.47
10/1/03	6.75%	27,358.17	179,890.30	207,248.47
10/1/04	6.75%	29,204.85	178,043.62	207,248.47
10/1/05	6.75%	31,176.17	176,072.29	207,248.46
10/1/06	6.75%	33,280.57	173,967.90	207,248.47
10/1/07	6.75%	35,527.00	171,721.46	207,248.46
10/1/08	6.75%	37,925.07	169,323.39	207,248.46
10/1/09	6.75%	40,485.01	166,763.45	207,248.46
10/1/10	6.75%	43,217.75	164,030.71	207,248.46
10/1/11	6.75%	46,134.95	161,113.51	207,248.46
10/1/12	6.75%	49,249.06	157,999.40	207,248.46
10/1/13	6.75%	52,573.37	154,675.09	207,248.46
10/1/14	6.75%	56,122.07	151,126.39	207,248.46
10/1/15	6.75%	59,910.32	147,338.15	207,248.47
10/1/16	6.75%	63,954.26	143,294.20	207,248.46
10/1/17	6.75%	68,271.17	138,977.29	207,248.46
10/1/18	6.75%	72,879.47	134,368.99	207,248.46
10/1/19	6.75%	77,798.83	129,449.63	207,248.46
10/1/20	6.75%	83,050.25	124,198.21	207,248.46
10/1/21	6.75%	88,656.14	118,592.32	207,248.46
10/1/22	6.75%	94,640.43	112,608.03	207,248.46
10/1/23	6.75%	101,028.66	106,219.80	207,248.46
10/1/24	6.75%	107,848.10	99,400.37	207,248.47
10/1/25	6.75%	115,127.84	92,120.62	207,248.46
10/1/26	6.75%	122,898.97	84,349.49	207,248.46
10/1/27	6.75%	131,194.65	76,053.81	207,248.46
10/1/28	6.75%	140,050.29	67,198.17	207,248.46
10/1/29	6.75%	149,503.68	57,744.78	207,248.46
10/1/30	6.75%	159,595.19	47,653.28	207,248.47
10/1/31	6.75%	170,367.86	36,880.60	207,248.46
10/1/32	6.75%	181,867.69	25,380.77	207,248.46
10/1/33	6.75%	194,143.76	13,104.70	207,248.46
		<u>\$2,830,000.00</u>	<u>\$5,286,650.02</u>	<u>\$8,116,650.02</u>

Prepared 7/8/94

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond
on the books kept for registration of the within Bond of the said Issuer with full power of
substitution in the premises.

Dated: _____, _____.

In the presence of:

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

July 27, 1994

SEVENTH FLOOR, BANK ONE CENTER

P. O. BOX 1588

CHARLESTON, W. VA. 25320-1588

(304) 353-8000

FACSIMILE (304) 353-8180

1000 HAMPTON CENTER

P. O. BOX 1616

MORGANTOWN, W. VA. 26507-1616

(304) 598-8000

FACSIMILE (304) 598-8116

126 EAST BURKE STREET

P. O. BOX 2629

MARTINSBURG, W. VA. 25401-5429

(304) 263-6991

FACSIMILE (304) 263-4785

104 WEST CONGRESS STREET

P. O. BOX 100

CHARLES TOWN, W. VA. 25414-0100

(304) 725-1414

FACSIMILE (304) 725-1913

THE BRYAN CENTRE

P. O. BOX 570

82 WEST WASHINGTON STREET, FOURTH FLOOR

HAGERSTOWN, MARYLAND 21740-0570

(301) 739-8600

FACSIMILE (301) 739-8742

FOURTH FLOOR - RILEY BUILDING

14TH AND CHAPLINE STREETS

P. O. BOX 150

WHEELING, W. VA. 26003-0020

(304) 233-0000

FACSIMILE (304) 233-0014

WRITER'S DIRECT DIAL NUMBER

City of Grafton

Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the City of Grafton (the "Issuer"), a municipal corporation and political subdivision organized and existing under the laws of the State of West Virginia, of its \$2,830,000 Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated July 27, 1994, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority") and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one bond, registered as to principal and interest to the Authority, with interest payable April 1 and October 1 of each year, commencing October 1, 1994, at the rate of 6.75% per annum, and with principal installments payable on October 1 in each of the years 1995 through 2033, inclusive, all as set forth in "Schedule X" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), for the purposes of (i) refunding all of the outstanding Sewer Revenue Bonds, dated June 1, 1972 (the "Prior Bonds"), of the Issuer, heretofore issued to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewerage system of the Issuer; (ii) paying a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the waterworks portion of the combined waterworks and sewerage system of the Issuer, which system is being simultaneously

combined herewith (the "Project"); (iii) funding a reserve account for the Bonds; and (iv) paying certain issuance and other related costs in connection therewith.

We have also examined the applicable provisions of the Act, the Bond Ordinance duly enacted by the Issuer on June 7, 1994, as supplemented by a Supplemental Resolution duly adopted by the Issuer on July 19, 1994 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement.

In connection with the issuance of the Bonds, the Issuer has executed a Certificate as to Arbitrage, dated as of the date hereof (the "Certificate as to Arbitrage"), which, among other things, sets forth restrictions on the investment and expenditure of the Bond proceeds and earnings thereon, to ensure that the arbitrage requirements of the Internal Revenue Code of 1986, as amended, and regulations thereunder (collectively, the "Code"), necessary to establish and maintain the excludability of interest on the Bonds from gross income for federal income tax purposes, are and will continue to be met.

Based upon the foregoing, and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to combine its existing separate waterworks system and existing separate sewerage system into a combined waterworks and sewerage system (the "System"), to operate and maintain the System and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Issuer without the written consent of the Authority.

3. The Bond Legislation and all other necessary ordinances and resolutions have been duly and effectively enacted and adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Gross Revenues of the System referred to in the Bond Legislation and secured by a first lien on and pledge of the Gross Revenues of said System, all in accordance with the terms of the Bonds and the Bond Legislation.

5. Under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Bonds (a) is excludable from gross income of the owners thereof for federal income tax purposes pursuant to the Code and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations under the Code. It should be noted, however, that interest on the Bonds is

included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax that may be imposed with respect to corporations. The opinions set forth above are subject to the condition that the Issuer comply, on a continuing basis, with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds for interest thereon to be or continue to be excludable from gross income for federal income tax purposes and all certifications, covenants and representations which may affect the excludability from gross income of the interest on the Bonds set forth in the Bond Legislation and the Certificate as to Arbitrage, and other certificates delivered in connection with the issuance of the Bonds. Failure to comply with certain of such Code provisions or such certifications, covenants and representations could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are, under the Act, exempt from all taxation by the State of West Virginia, or any county, municipality, political subdivision or agency thereof, and the interest on the Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

7. The Prior Bonds have been paid within the meaning and with the effect expressed in the Prior Ordinance, and the covenants, agreements and other obligations of the Issuer to the holders and owners of such Prior Bonds have been satisfied and discharged. In rendering the opinion set forth in this paragraph 7, we have relied upon the verification report of certain independent certified public accountants relating to the sufficiency of the maturing principal of and interest to be earned on the United States Treasury Obligations deposited in the Escrow Fund established with the Escrow Agent, which together with any other moneys on deposit in said Escrow Fund, will provide for the payment of the principal of, interest and redemption premium on such Prior Bonds as the same become due, to and including the first redemption date thereof.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreement, the Escrow Agreement and the Bond Legislation, and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond numbered R-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

Stephoe & Johnson

STEPTOE & JOHNSON

FRANCES C. WHITEMAN, ATTORNEY AT LAW

211 Adams Street, Suite 100 ■ P.O. Box 936 ■ Fairmont, WV 26555-0936
Phone (304)366-2116 ■ Fax (304)366-8461

July 27, 1994

City of Grafton
Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, WV 25064

Steptoe & Johnson
P.O. Box 2190
Clarksburg, WV 26302

Ladies and Gentlemen:

I am counsel to the City of Grafton, in Taylor County, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson, as bond counsel, a loan agreement dated July 27, 1994, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the West Virginia Water Development Authority (the "Authority") and the Issuer, a Bond Ordinance duly enacted by the Issuer on June 7, 1994, as supplemented by a Supplemental Resolution duly adopted by the Issuer on July 19, 1994 (collectively, the "Bond Legislation"), and other documents relating to the above-captioned Bonds of the Issuer (the "Bonds"). Terms used in said opinion, Bond Legislation and Loan Agreement and not otherwise defined herein have the same meanings as therein when used herein.

I am of the opinion that:

1. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the Issuer enforceable in accordance with its terms.
2. The Escrow Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the West Virginia Municipal Bond Commission, constitutes a valid and binding agreement of the Issuer enforceable in accordance with its terms.
3. The Issuer has been duly created and is validly existing as a municipal corporation and political subdivision of the State of West Virginia, and the Mayor, Recorder and members of the council of the Issuer have been duly and properly elected or appointed, as applicable, have taken

the requisite oaths, and are authorized to act on behalf of the Issuer in their respective capacities.

4. The Bond Legislation has been duly adopted and enacted by the Issuer and is in full force and effect.

5. The execution and delivery of the Bonds, the Loan Agreement and the Escrow Agreement, and the consummation of the transactions contemplated by the Escrow Agreement, the Loan Agreement and the Bond Legislation, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute on the part of the Issuer a breach of or default under any ordinance, resolution, order, agreement or other instrument to which the Issuer is a party or any existing law, regulation, court order or consent decree to which the Issuer is subject.

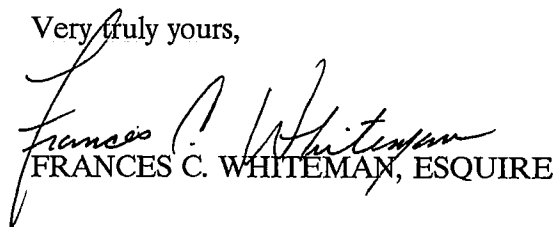
6. The Issuer has full power and authority under the Act to combine its existing separate waterworks system and existing separate sewerage system into a combined waterworks and sewerage system (the "System") and such System is legally in effect. The Issuer has received all permits, licenses, approvals and authorizations necessary for the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, the receipt of all requisite orders and approvals from the Public Service Commission of West Virginia, and has taken any other action required for the imposition of such rates and charges, including, without limitation, the enactment of ordinances prescribing such rates and charges. The time for appeal of such rate ordinances have expired prior to the date hereof without any appeal. The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on June 21, 1994, in Case No. 94-0072-W-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project, and approving the financing for the Project. The time for appeal of the Final Order in Case No. 94-0072-W-CN has not expired prior to the date hereof. However, the staff of the Public Service Commission of West Virginia has indicated that it does not intend to appeal such Final Order. The Issuer has certified that it does not intend to appeal such Final Order. The Issuer and the Public Service Commission of West Virginia are the only parties to Case No. 94-0072-W-CN. The Final Order is not subject to appeal, further hearing, reopening, or rehearing by any customer, protestant, intervenor or other person not a party to the original application.

7. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement or the Escrow Agreement, the refunding and defeasance of the Prior Bonds, the acquisition and construction of the Project, the operation of the System or the validity of the Bonds or the collection or pledge of the Gross Revenues therefor.

West Virginia Water Development Authority, et al.
Page 3

All counsel to this transaction may rely upon this opinion as if specifically addressed to them.

Very truly yours,


FRANCES C. WHITEMAN, ESQUIRE

CITY OF GRAFTON

Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

ENGINEER'S CERTIFICATE

I, ROBERT G. MCCALL, Registered Professional Engineer, West Virginia License No. 1015, of Kelley, Gidley, Blair & Wolfe, Inc., Charleston, West Virginia, Consulting Engineer, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks portion of the combined waterworks and sewerage system (the "Project") for the City of Grafton (the "Issuer") to be constructed primarily in Taylor County, West Virginia, which acquisition and construction are being financed in part by the proceeds of the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words used herein and not otherwise defined herein shall have the meaning set forth in the Bond Ordinance enacted by the Issuer on June 7, 1994, and the Loan Agreement, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), dated July 27, 1994.

2. The Bonds are being issued for the purposes of (i) refunding all of the outstanding Sewer Revenue Bonds, dated June 1, 1972 (the "Prior Bonds"), of the Issuer, heretofore issued to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewerage system of the Issuer; (ii) paying a portion of the costs of acquisition and construction of the Project; (iii) funding a reserve account for the Bonds; and (iv) paying certain issuance and other related costs in connection therewith.

3. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least 40 years, (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm will ascertain that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds will be verified by my firm for accuracy, (iv) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project, (v) the rates and charges for the System as adopted by the Issuer are sufficient to comply with the

provisions of Subsection 4.1(b) of the Loan Agreement, (vi) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature and seal on this 27th day of July, 1994.

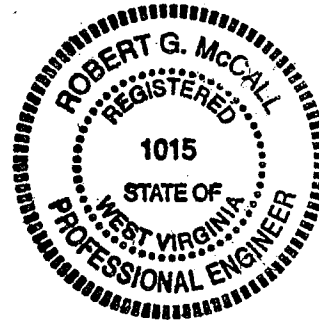
KELLEY, GIDLEY, BLAIR & WOLFE,
INC.

(SEAL)



West Virginia License No. 1015

07/11/94
GRAFC.P3
345720/93001



DATE: July 27, 1994

AMENDED SCHEDULE A

NAME OF GOVERNMENTAL AGENCY: City of Grafton
TOTAL COST OF PROJECT, SOURCES OF FUNDS AND COST OF FINANCING

A. Cost of Project

1.	Construction	\$ <u>1,820,122</u>	
2.	Technical Services	\$ <u>288,818</u>	
3.	Legal and Fiscal	\$ <u>34,000</u>	
4.	Administrative	\$ <u></u>	
5.	Site and Other Lands	\$ <u>30,000</u>	
6.	Step I and/or Step II (Design) or Other Loan Repayment (Specify Type: <u>Repayment of Sewer Bonds</u>)	\$ <u>250,000</u>	
7.	Interim Financing Costs	\$ <u></u>	
8.	Contingency	\$ <u>204,811</u>	
9.	Total of Lines 1 through 8		\$ <u>2,627,751</u>

B. Sources of Funds

10.	Federal Grants: ¹	\$ <u></u>	
	(Specify Source)	\$ <u></u>	
11.	State Grants:	\$ <u></u>	
	(Specify Source)	\$ <u></u>	
		\$ <u></u>	
		\$ <u></u>	
		\$ <u></u>	
12.	Other Grants:	\$ <u></u>	
	(Specify Source)	\$ <u></u>	
13.	Any Other Source ²	\$ <u>25,000</u>	
	(Specify)	\$ <u></u>	
14.	Total of Lines 10 through 13		\$ <u>25,000</u>
15.	Net Proceeds Required from Bond Issue (Line 9 less Line 14)		\$ <u>2,602,751</u>

¹ Attach supporting documentation not previously submitted. If not yet available, state such and expectations as to availability.

² For example, interest earnings during construction, if applicable. Include the proceeds of any parity or subordinate bond issue to be used for such purpose and attach supporting documentation if available (if not yet available, state such and expectations as to availability).

C. Cost of Financing

16.	Capitalized Interest (Construction period plus six months)	\$ <u>0</u>	
17.	Funded Reserve Account ³	\$ <u>207,249</u>	
18.	Other Costs ⁴	\$ <u>20,000</u>	
19.	Total Cost of Financing (Lines 16 through 18)		\$ <u>227,249</u>
20.	Size of Bond Issue (Line 15 plus Line 19)		\$ <u>2,830,000</u>

Additional or explanatory material may be provided on additional sheets attached to Amended Schedule A.

Orma C. Hoyle
SIGNATURE OF AUTHORIZED
OFFICER OF APPLICANT

Wm. C. Bell
SIGNATURE OF ENGINEER

³ Consult with bond counsel and the Authority before assuming a funded reserve.

⁴ For example, fees of bond counsel for the Governmental Agency.



Smith, Cochran & Hicks
Certified Public Accountants

Charles S. Smith, CPA
Dennis R. Hicks, CPA
Jill E. Patterson, CPA
Todd F. Dingess, CPA

400 Capitol Street, Suite 200
Charleston, West Virginia 25301
Tel 304 345-1151 FAX 304 346-6731

West Virginia Water Development Authority
Dunbar, West Virginia

\$2,830,000
City of Grafton, West Virginia
Combined Waterworks and Sewerage System Revenue Bonds
Series 1994

Based upon the rates and charges as set forth in the water rate ordinance of the City of Grafton (the "Issuer") finally enacted December 22, 1992, and the sewer rate ordinance of the Issuer finally enacted April 16, 1991, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by Kelley, Gidley, Blair & Wolfe, Inc., consulting engineer, and as provided to us in the proforma financial statements prepared by the Issuer, it is our opinion that as of the date of issuance of the Bonds such rates and charges will be sufficient to provide revenues which, together with other revenues of the combined waterworks and sewerage system of the Issuer, will pay all repair, operation and maintenance expenses and leave a balance each year equal to at least 110% of the maximum amount required in any year for debt service on the Combined Waterworks and Sewerage System Revenue Bonds, Series 1994 (the "Bonds"), to be issued to the West Virginia Water Development Authority.

Charleston, West Virginia
July 27, 1994

Suite 337 Building 3
1800 Washington St. E
State Capitol Complex
Charleston, WV 25305
(304) 348-3971

NEW ISSUE REPORT FORM

Date of Report: July 27, 1994

(See Reverse for Instructions)

ISSUE: CITY OF GRAFTON, Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

ADDRESS: 1 West Main Street, Grafton, WV 26354 COUNTY: Taylor

PURPOSE New Money ☒

OF ISSUE: Refunding ☒ Refunds issue(s) dated: June 1, 1972

ISSUE DATE: July 27, 1994

CLOSING DATE: July 27, 1994

ISSUE AMOUNT: \$ 2,830,000

RATE: 6.75%

1st DEBT SERVICE DUE: 10/1/94

1st PRINCIPAL DUE: 10/1/95

1st DEBT SERVICE AMOUNT: \$33,960

PAYING AGENT: Municipal Bond Commission

ISSUERS

BOND COUNSEL: Steptoe & Johnson

UNDERWRITERS

BOND COUNSEL: Jackson & Kelly

Contact Person: Vincent A. Collins, Esq. Contact Person: Samme L. Gee, Esq.

Phone: 624-8161

Phone: 624-1318

CLOSING BANK: First Community Bank, Inc.

ESCROW TRUSTEE:

Contact Person: David Schoolcraft

Contact Person:

Phone: 265-1111

Phone:

KNOWLEDGEABLE ISSUER CONTACT

OTHER:

Contact Person: Donna Hoyler

Contact Person:

Position: City Manager

Function:

Phone: 265-1412

Phone:

DEPOSITS TO MBC AT CLOSE:

By Wire
X Check

Accrued Interest: \$

Capitalized Interest: \$

Reserve Account: \$

Other: Escrow Fund (for

Refunding Prior

Bonds)

\$ 207,249

\$ 250,000 (Bond Proceeds)

\$ 95,726.76 (City's Funds)

REFUNDS & TRANSFERS BY MBC AT CLOSE:

By Wire
Check
IGT

To Escrow Trustee: \$

To Issuer: \$

To Cons. Invest. Fund: \$

To Other: \$

NOTES:

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS

REQUIRED:

TRANSFERS

REQUIRED:

The purpose of the **NEW ISSUE REPORT FORM** is to provide the WV Municipal Bond Commission with an early warning of three basis facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The Commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the WV Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all suppliments, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes".

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at close are required, please submit this form before closing. If no significant facts change by closing, no resubmission at close is required. If, however, there are changes, please submit an updated form, with changes noted, at close.

If you should have any questions concerning this form, please call the Commission.

CITY OF GRAFTON

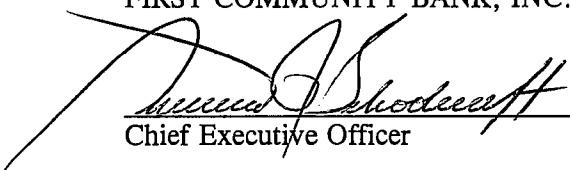
Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK

First Community Bank, Inc., a state banking corporation, in Grafton, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Ordinance of the City of Grafton (the "Issuer"), duly enacted by the Issuer on June 7, 1994, and a Supplemental Resolution duly adopted by the Issuer on July 19, 1994 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, dated July 27, 1994, in the principal amount of \$2,830,000 (the "Bonds") and agrees to perform all duties of Depository Bank in connection with such Bonds, all as set forth in said Bond Legislation.

Dated this 27th day of July, 1994.

FIRST COMMUNITY BANK, INC.



Chief Executive Officer

07/13/94
GRAFC.Q3
345720/93001

CITY OF GRAFTON

Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

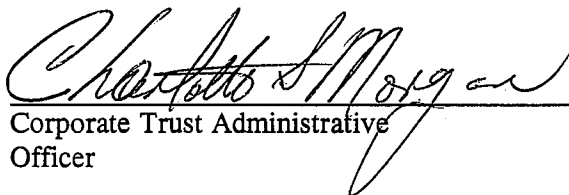
ACCEPTANCE OF DUTIES AS REGISTRAR

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association with its principal office in the City of Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the City of Grafton Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, dated July 27, 1994, in the principal amount of \$2,830,000 (the "Bonds") and agrees to perform all duties of Registrar in connection with such Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

Dated this 27th day of July, 1994.

ONE VALLEY BANK,
NATIONAL ASSOCIATION

By


Corporate Trust Administrative
Officer

06/27/94
GRAFC.R2
345720/93001

CITY OF GRAFTON

Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

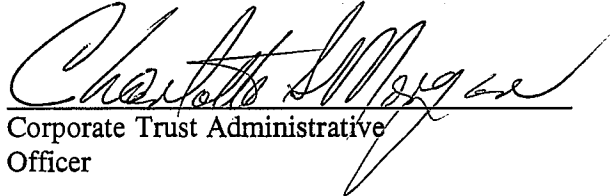
CERTIFICATE OF REGISTRATION OF BONDS

I, CHARLOTTE S. MORGAN, Corporate Trust Administrative Officer of One Valley Bank, National Association, as Registrar under the Bond Legislation and Registrar's Agreement providing for the \$2,830,000 principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, of the City of Grafton (the "Issuer"), hereby certify that on the 27th day of July, 1994, the single fully registered Series 1994 Bond of the Issuer in the principal amount of \$2,830,000 designated "Combined Waterworks and Sewerage System Revenue Bond, Series 1994," numbered R-1, was registered as to principal and interest in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of One Valley Bank, National Association, as Registrar.

WITNESS my signature this 27th day of July, 1994.

ONE VALLEY BANK,
NATIONAL ASSOCIATION

By


Corporate Trust Administrative
Officer

06/27/94
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345720/93001

25

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 27th day of July, 1994, by and between the CITY OF GRAFTON, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$2,830,000 aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, in fully registered form (the "Bonds"), pursuant to a Bond Ordinance of the Issuer duly enacted June 7, 1994, and a Supplemental Resolution of the Issuer duly adopted July 19, 1994 (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Legislation, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exemption of interest on the Bonds from federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: City of Grafton
City Hall
1 West Main Street
Grafton, West Virginia 26354
Attention: City Manager

REGISTRAR: One Valley Bank, National Association
Post Office Box 1793
One Valley Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

IN WITNESS WHEREOF, the CITY OF GRAFTON and ONE VALLEY BANK, NATIONAL ASSOCIATION have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

CITY OF GRAFTON

By Daniel E. Mansins
Mayor

By Doreen C. Hoyle
City Manager

ONE VALLEY BANK, NATIONAL
ASSOCIATION

By Charlotte Morgan
Corporate Trust Administrative
Officer

06/27/94
GRAFC.T2
345720/93001

EXHIBIT A

[Included in transcript as Documents No. 1 and 2]

Invoice

ONE VALLEY
BANK

Mayor, City of Grafton,
West Virginia

DATE JULY 27, 1994

UNITS	ITEM DESCRIPTION	TOTAL
	\$2,830,000 PAR CITY OF GRAFTON, WEST VIRGINIA COMBINED WATERWORKS AND SEWAGE SYSTEM REVENUE BONDS, 1994 SERIES A.	
	ONE TIME FEE FOR SERVICES AS REGISTRAR AND XXXX AUTHENTICATING AGENT.....	\$500.00

SEND REMITTANCE TO: One Valley Bank
One Valley Square
P.O. Box 1793
Charleston, WV 25326
ATTN: CHARLOTTE S. MORGAN
Attn: _____

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER EAST

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

SEVENTH FLOOR, BANK ONE CENTER
P. O. BOX 1588
CHARLESTON, W. VA. 25320-1588
(304) 353-8000
FACSIMILE (304) 353-8180

1000 HAMPTON CENTER
P. O. BOX 1616
MORGANTOWN, W. VA. 26507-1616
(304) 598-8000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25401-5429
(304) 263-6991
FACSIMILE (304) 263-4785

104 WEST CONGRESS STREET
P. O. BOX 100
CHARLES TOWN, W. VA. 25414-0100
(304) 725-1414
FACSIMILE (304) 725-1913

THE BRYAN CENTRE
P. O. BOX 570
82 WEST WASHINGTON STREET, SUITE 301
HAGERSTOWN, MARYLAND 21740-0570
(301) 739-8600
FACSIMILE (301) 739-8742

WRITER'S DIRECT DIAL NUMBER

June 27, 1994

(304) 624-8161

City of Grafton

Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

Mr. R. Witter Hallan
Executive Director
West Virginia Municipal Bond Commission
1800 Washington Street, East
Building 3, Suite 337
Charleston, West Virginia 25305

Dear Witter:

Please be informed that the City of Grafton intends to advance refund all of its outstanding Sewer Revenue Bonds, dated June 1, 1972 (the "Prior Bonds"), to their first redemption date, being December 1, 1994, at which time the Prior Bonds will be redeemed in full.

I have enclosed a copy of the Ordinance enacted by the City Council on June 7, 1994, and a draft of the Supplemental Resolution and the Escrow Agreement relating to the refunding. The City of Grafton requests that the West Virginia Municipal Bond Commission act as Escrow Agent under the Escrow Agreement.

Settlement is anticipated on or about July 27, 1994. Please give me a call if you have any questions at this time.

RECEIVED

JUN 28 1994

MBC

27

Mr. R. Witter Hallan
Page 2

My best regards.

Very truly yours,

A handwritten signature in cursive script, reading "Vincent A. Collins". The signature is written in dark ink and is positioned above the printed name.

Vincent A. Collins

VAC/jlt

Enclosures

Copy of letter only to:

Donna C. Hoyler, City Manager

Mr. Daniel B. Yonkosky

Samme L. Gee, Esquire

Frances C. Whiteman, Esquire

Jill Patterson, CPA

GRAFJ.U2

345720/93001

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER EAST

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

June 27, 1994

34 WEST CONGRESS STREET

P. O. BOX 30

CHARLES TOWN, W. VA. 25411-0100

304-725-4444

FACSIMILE 304-725-9333

THE BRYAN CENTRE

P. O. BOX 570

82 WEST WASHINGTON STREET SUITE 30

HAGERSTOWN, MARYLAND 21740-0570

301-739-8600

FACSIMILE 301-739-8742

WRITER'S DIRECT DIAL NUMBER

(304) 624-8161

City of Grafton

Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

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Executive Director
West Virginia Municipal Bond Commission
1800 Washington Street, East
Building 3, Suite 337
Charleston, West Virginia 25305

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Mr. R. Witter Hallan
Page 2

My best regards.

Very truly yours,



Vincent A. Collins

VAC/jlt

Enclosures

Copy of letter only to:

Donna C. Hoyler, City Manager

Mr. Daniel B. Yonkosky

Samme L. Gee, Esquire

Frances C. Whiteman, Esquire

Jill Patterson, CPA

GRAFJ.U2

345720/93001

CITY OF GRAFTON

Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

JOINT CERTIFICATE OF ISSUER AND ESCROW AGENT

The undersigned DANIEL E. MANKINS, Mayor of the City of Grafton, a municipal corporation of the State of West Virginia (the "Issuer"), the undersigned DONNA C. HOYLER, City Manager of the Issuer, and the undersigned R. WITTER HALLAN, Executive Director of the West Virginia Municipal Bond Commission (the "Escrow Agent"), hereby jointly certify as follows in connection with the above-captioned Bond issue:

1. We have executed the Escrow Agreement between the Issuer and the Escrow Agent, dated July 27, 1994 (the "Escrow Agreement"), on behalf of the Issuer and the Escrow Agent, respectively.

2. The funds on deposit in the Escrow Fund established by the Escrow Agreement have been invested as provided in the Escrow Agreement.

3. The invested funds are shown by the Exhibits to the Escrow Agreement to be in amounts sufficient to fully pay the Prior Bonds described in the Escrow Agreement, including payment of the principal of, the redemption premium and interest on, the Prior Bonds on the first redemption date thereof, being December 1, 1994, and the liens of the Prior Bonds and the ordinance pursuant to which the Prior Bonds were issued have been discharged.

WITNESS our signatures this 27th day of July, 1994.

CITY OF GRAFTON

By

Daniel E. Mankins
Mayor

By

Donna C. Hoyle
City Manager

WEST VIRGINIA MUNICIPAL BOND COMMISSION

By

R. Witter Hallan
Executive Director

[TO BE PUBLISHED ONCE IN THE BOND BUYER
NOT LESS THAN 30 NOR MORE THAN 60 DAYS
PRIOR TO DECEMBER 1, 1994]

NOTICE OF REDEMPTION

CITY OF GRAFTON

SEWER REVENUE BONDS

Dated : June 1, 1972

CUSIPS: _____

TO THE OWNERS OF ALL THE ABOVE-CAPTIONED BONDS:

NOTICE IS HEREBY GIVEN that all the City of Grafton Sewer Revenue Bonds, dated June 1, 1972 (the "1972 Bonds"), have been ordered by the City to be redeemed on December 1, 1994, in accordance with the provisions of the ordinance authorizing issuance of the 1972 Bonds.

All 1972 Bonds outstanding as of December 1, 1994, are to be surrendered for payment of the principal of and redemption premium and interest accrued thereon to December 1, 1994 (the "Redemption Date") to:

Citibank
[Address] _____

There has been deposited with the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Escrow Agent for the 1972 Bonds, an amount sufficient to fully pay, on the Redemption Date, the principal amount of each of the 1972 Bonds outstanding, plus a redemption premium equal to 1/2 of 1% of the principal amount of each 1972 Bond for each year or fraction thereof from the Redemption Date to the stated maturity date of such 1972 Bond (not to exceed a maximum of 3%), and interest accrued thereon. On the Redemption Date, interest will cease to accrue on all 1972 Bonds.

29A

No representation is made as to the correctness of the CUSIP numbers, either as printed on the 1972 Bonds or as contained in this notice. Reliance may be placed only on the identification numbers printed on the 1972 Bonds prefixed "CH."

IMPORTANT: Under Federal law, individual holders of the 1972 Bonds who present such bonds for payment are required to submit their social security number, certified as correct under penalty of perjury. The required certification may be made on an Internal Revenue Service Form W-9. Holders of the 1972 Bonds may obtain copies of Form W-9 from their local bank or broker. If the social security number is not submitted and certified as correct, 31% of the principal due under the bonds must be withheld and paid over to the IRS.

CITY OF GRAFTON

/s/ Daniel E. Mankins

Mayor

Dated: _____, 1994.

07/22/94
GRAFJ.X3
345720/93001

CITY OF GRAFTON
1 West Main Street
Grafton, West Virginia 26354

July 27, 1994

Redemption of City of Grafton
Sewer Revenue Bonds, dated June 1, 1972

VIA HAND DELIVERY

Mr. R. Witter Hallan
Executive Director
West Virginia Municipal Bond Commission
Escrow Agent in Connection with
the City of Grafton Water Revenue
Bonds, Series 1994

Dear Mr. Hallan:

Attached hereto is a copy of a "Notice of Redemption" pertaining to the above-captioned Bonds (the "Prior Bonds"), to be published not less than 30 days nor more than 60 days prior to December 1, 1994 (the "Redemption Date"), in accordance with the redemption notice provisions of the ordinance pursuant to which the Prior Bonds were issued. Please deliver all publications through Fiduciary Communications Company, Inc., New York, New York.

The directions contained in this letter are irrevocable and are made in accordance with the provisions of the Ordinance enacted by the Council of the City of Grafton on June 7, 1994, as supplemented, authorizing the issuance of \$2,830,000 Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, dated July 27, 1994 (the "Bonds"), and the refunding and defeasance of the Prior Bonds.

United States Treasury Obligations have been purchased with a portion of the proceeds of the Bonds and certain cash amounts deposited in the Escrow Fund established under the Escrow Agreement, and the interest and principal on such security will be used solely to fully pay the redemption price of the Prior Bonds on the Redemption Date, being December 1, 1994.

29B

West Virginia Municipal Bond Commission
Page 2

If at any time you have any questions about the instructions contained in this letter, please communicate with me or with Vincent A. Collins, of Steptoe & Johnson, Bond Counsel, Clarksburg, West Virginia.

Very truly yours,

CITY OF GRAFTON

By

Daniel E. Mansur
Mayor

Copy to:

Vincent A. Collins, Esquire

Samme L. Gee, Esquire

07/11/94

GRAFJ.W3

345720/93001

ESCROW AGREEMENT

This ESCROW AGREEMENT, made and entered into as of July 27, 1994, by and between the CITY OF GRAFTON (the "Issuer") and the WEST VIRGINIA MUNICIPAL BOND COMMISSION (the "Commission" or the "Escrow Agent").

W I T N E S S E T H T H A T:

WHEREAS, the Issuer has heretofore issued its Sewer Revenue Bonds, dated June 1, 1972, in the original aggregate principal amount of \$865,000, of which \$685,000 is presently outstanding (the "Prior Bonds"), for the acquisition and construction of certain additions, betterments and improvements to its sewerage system;

WHEREAS, the Prior Bonds were issued pursuant to an ordinance of the Issuer enacted by the council of the Issuer on May 30, 1972 (the "Prior Ordinance");

WHEREAS, the Issuer has determined to combine its existing separate waterworks system and its existing separate sewerage system into a combined waterworks and sewerage system and to issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 1994 (the "Series 1994 Bonds"), pursuant to an Ordinance enacted June 7, 1994, as supplemented by a Supplemental Resolution adopted July 19, 1994 (collectively, the "1994 Ordinance"), and contemporaneously therewith, legally defease the Prior Bonds by applying a portion of the proceeds of the Series 1994 Bonds and certain moneys of the Issuer to the purchase of obligations of the United States government to be deposited in the Escrow Fund herein described;

WHEREAS, the Escrow Agent will cause to be purchased on behalf of the Issuer, with such Series 1994 Bonds proceeds and certain moneys of the Issuer, the United States Treasury Obligations (the "Government Securities") described in the Verification Report, dated July 27, 1994, of Smith, Cochran & Hicks, a firm of independent certified public accountants, attached hereto as EXHIBIT A - VERIFICATION REPORT (the "Verification Report");

WHEREAS, the Government Securities which will be delivered to the Escrow Agent simultaneously with the delivery of the Series 1994 Bonds, are in such principal amount and mature and bear interest at such rates and are payable at such times and in such amounts as to insure the payment on the first redemption date thereof, being December 1, 1994 (the "Redemption Date"), of the entire principal amount of the Prior Bonds then outstanding, the redemption premium, and interest accrued thereon to the Redemption Date,

being \$725,441.25 (collectively, the "Redemption Price"), there being no principal of or interest due upon the Prior Bonds until the Redemption Date; and

WHEREAS, the Issuer has found it desirable to appoint the Commission as Escrow Agent and the Commission has agreed to such appointment for the purposes of holding title, as trustee, to the Government Securities, receiving payments of the principal thereof and interest thereon when due, disbursing to the paying agent for the Prior Bonds such amounts as may be necessary to provide for payment of the Redemption Price on the Redemption Date, and holding and investing and reinvesting any cash balances which may at any time not be needed for immediate disbursement;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and in order further to secure payment of the Prior Bonds, as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

1. There is hereby created and established with the Escrow Agent an irrevocable trust fund to be known as the Escrow Fund, to be held in the custody of the Escrow Agent, separate and apart from all other funds of the Issuer and the Escrow Agent. The deposit of securities and/or moneys in the Escrow Fund shall constitute an irrevocable deposit of such securities and/or moneys in trust for the Prior Bonds, and such securities and/or moneys, together with any income or interest earned thereon, shall be applied, except as otherwise provided herein, to the payment on the Redemption Date of the Redemption Price, all in accordance with paragraph 5 hereof.

2. Concurrently with the delivery of the Series 1994 Bonds, the sum of \$369,165.41 on deposit in the sinking fund, the reserve account therein, and the depreciation account created for the Prior Bonds and held by the Commission shall be transferred by the Commission to the Escrow Agent and deposited by the Escrow Agent into the Escrow Fund. Concurrently with the delivery of the Series 1994 Bonds, the Issuer shall deliver a check in the sum of \$95,726.76 from its own funds to the Escrow Agent and the Escrow Agent shall deposit such sum into the Escrow Fund.

3. Concurrently with the delivery of the Series 1994 Bonds, the Issuer and the Escrow Agent shall cause Series 1994 Bonds proceeds in the amount of \$250,000, and the \$369,165.41 and \$95,726.76, all described in paragraph 2 above (total amount of \$714,892.17), to be deposited in the Escrow Fund, and thereupon to be applied to the purchase of the Government Securities. Maturing principal and interest of the Government Securities shall be applied solely to the payment of the Prior Bonds. Smith, Cochran & Hicks has certified, in its Verification Report, attached hereto as EXHIBIT A, that the Government Securities, together with the income to be derived therefrom, will be sufficient to pay the Redemption Price on the Redemption Date. The Issuer hereby authorizes and

directs the Escrow Agent to subscribe to the purchase of the Government Securities described in SCHEDULE A attached hereto.

4. The Escrow Agent shall have no authority to reinvest funds or make substitutions of the Government Securities acquired under this Escrow Agreement except as follows:

If requested by the Issuer, and upon receipt of an opinion of nationally recognized bond counsel that such substitution will not affect the tax-exempt status of interest on the Prior Bonds or the Series 1994 Bonds under the Internal Revenue Code of 1986, as amended and then in effect (the "Code"), the Escrow Agent may substitute other United States Treasury Obligations for the Government Securities, provided that such United States Treasury Obligations being substituted must be non-callable obligations of the United States of America ("Direct Obligations"), must be sufficient to pay, on the Redemption Date, the Redemption Price, and provided further, that the Escrow Agent receives verification by a certified public accountant of the sufficiency of the escrowed securities to pay, on the Redemption Date, the Redemption Price.

5. The Escrow Agent shall transfer from the Escrow Fund and deposit directly with the paying agent for the Prior Bonds, in immediately available funds on December 1, 1994, being the Redemption Date, an amount sufficient to pay the Redemption Price. The Escrow Agent shall send written notification to the paying agent for the Prior Bonds, and shall mail and/or publish (or cause to be mailed and/or published) a notice of redemption of the Prior Bonds in accordance with the requirements of the Prior Ordinance and written instructions of the Issuer to the Escrow Agent delivered on the date hereof.

6. The holders of the Prior Bonds shall have an express lien on all moneys and assets in the Escrow Fund until paid out, used and applied in accordance with this Escrow Agreement.

7. Subject to the provisions of paragraph 17 hereof, 12 months after the payment of all amounts required to be paid pursuant to paragraph 5 of this Escrow Agreement, the amounts remaining in the Escrow Fund, if any, shall be deposited by the Escrow Agent in the Series 1994 Bonds Sinking Fund, and applied to payment of the Series 1994 Bonds.

8. The Escrow Agent shall be entitled to fees for services rendered under this Agreement and reasonable expenses as set forth in EXHIBIT B - ESCROW AGENT FEES, attached hereto. The Issuer shall pay from its own funds to the Escrow Agent the amounts at the times set forth in EXHIBIT B. In no event shall such fees or expenses be paid from the Escrow Fund, nor shall the Escrow Agent or the paying agent have any lien whatsoever upon any of the moneys or Government Securities in the Escrow Fund for the payment of such fees or expenses.

9. The Issuer and the Escrow Agent independently hereby covenant that no part of the moneys or funds at any time in the Escrow Fund shall be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Series 1994 Bonds to be an "arbitrage bond" as defined in Section 148 of the Code, or to be subject to treatment under Section 148 as an obligation not described in Section 103 of the Code.

10. The Escrow Agent shall have no responsibility with respect to the sufficiency of this Escrow Agreement to effect payment, redemption or defeasance of the Prior Bonds. The liability of the Escrow Agent for the payment of the Redemption Price of the Prior Bonds shall be limited to the payment of all amounts required to be paid, and delivery of the redemption notices pursuant to paragraph 5 hereof. The Escrow Agent shall not be liable or responsible because of the failure of the Issuer to perform any act required of it by this Escrow Agreement. The Escrow Agent shall have no responsibility to the Issuer or any other person in connection with this Escrow Agreement, except as specifically provided herein, and shall not be responsible for anything done or omitted to be done by it except for its own negligence or willful default in the performance of any obligation imposed on it hereunder.

11. By execution of this Escrow Agreement, the Escrow Agent accepts the duties and obligations as Escrow Agent hereunder. The Escrow Agent represents that it has all requisite power, and has taken all action necessary to execute the trusts hereby created.

12. If the Escrow Agent is called upon by the terms of this Escrow Agreement to determine the occurrence of any event or contingency, the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult with the Issuer, at any time. The Escrow Agent may request an opinion of counsel for a determination of any legal issue which might arise in the performance of its duties hereunder and may act in accordance with the advice given in such opinion.

13. The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to the terms and provisions of this Escrow Agreement.

14. The Escrow Agent may act upon any notice, request, waiver, consent, certificate, receipt, authorization, power of attorney or other instrument or document which the Escrow Agent in good faith believes to be genuine and correct and to have been signed or sent by the proper person or persons.

15. The Escrow Agent may resign or be removed by the Issuer, and thereby become discharged from the trusts hereby created, by notice given to the Issuer not less than thirty (30) days before such resignation or removal shall take effect. Such resignation or removal shall take effect immediately, however, upon the earlier appointment of a new

Escrow Agent hereunder and acceptance of the trusts hereby created. The Escrow Agent shall continue to serve as Escrow Agent until a successor is appointed and the funds held hereunder transferred. The Escrow Agent shall provide a proper accounting to the Issuer of all funds deposited pursuant to this Escrow Agreement within 30 days of the appointment of a successor Escrow Agent. If no such appointment has been made at the end of the 30-day period, the Escrow Agent may petition a court of competent jurisdiction for appointment of a successor or temporary Escrow Agent. In the event of the resignation or removal of the Escrow Agent, the Escrow Agent shall rebate to the Issuer any fees theretofore paid in advance by the Issuer to the Escrow Agent for its services under this Escrow Agreement.

16. This Escrow Agreement is made for the benefit of the Issuer, the Escrow Agent and the holders of the Outstanding Prior Bonds, except as otherwise expressly provided herein. This Escrow Agreement may be modified or amended at anytime, provided, however, that no such modification or amendment shall be made which would, materially adversely affect the interest of any of the holders of the Prior Bonds.

17. If any Outstanding Prior Bonds are not presented for payment on the Redemption Date, and moneys are held by the Escrow Agent for payment thereof, such moneys shall be held for such purposes for a period of 6 years from the date such payment was due, at which time such moneys shall be paid to the Issuer. Following such payment to the Issuer, the Issuer shall be responsible for payment to any holder of the Prior Bonds presenting such Prior Bonds to the Escrow Agent of the amount payable to such holder.

18. This Escrow Agreement shall terminate on the earlier of the date on which all the Outstanding Prior Bonds have been redeemed, paid in full and discharged, or, as described in paragraph 17 above, 6 years after the last date on which payment on the Prior Bonds is due. Upon termination of this Escrow Agreement, any remaining moneys and Government Securities in the Escrow Fund shall be transferred as provided in paragraph 7 hereof.

19. If any one or more of the covenants or agreements provided in this Escrow Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

20. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

21. This Escrow Agreement is made in the State of West Virginia under the Constitution and laws of such State and is to be so construed.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement on the day and year first above written.

CITY OF GRAFTON

By Daniel E. Mansins
Mayor

By Donna C. Hogle
City Manager

WEST VIRGINIA MUNICIPAL BOND
COMMISSION

By [Signature]
Executive Director

07/22/94
GRAFJ.Y4
345720/93001

EXHIBIT A - VERIFICATION REPORT

[Included as Transcript Document No. 31]

EXHIBIT B - ESCROW AGENT FEES

NONE.

SCHEDULE A

Description of Government Securities Acquired with Moneys in Escrow Fund:

\$710,000 par amount United States Treasury Notes, maturing November 30, 1994



Smith, Cochran & Hicks
Certified Public Accountants

Charles S. Smith, CPA
Dennis R. Hicks, CPA
Jill E. Patterson, CPA
Todd F. Dingess, CPA

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Charleston, West Virginia 25301
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City of Grafton, West Virginia
Grafton, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

West Virginia Water Development Authority
Dunbar, West Virginia

Jackson & Kelly
Charleston, West Virginia

West Virginia Municipal Bond Commission
Charleston, West Virginia

\$2,830,000
City of Grafton, West Virginia
Combined Waterworks and Sewerage System Revenue Bonds
Series 1994

We have examined certain schedules relating to the issuance of the above captioned bond issue (the "1994 Bonds") and the defeasance of certain outstanding bonds described herein, prepared and provided to us on behalf of the City of Grafton, West Virginia (the "Issuer") by the West Virginia Municipal Bond Commission (the "Commission"). The bonds to be defeased consist of \$865,000 City of Grafton, West Virginia, Sewer Revenue Bonds, dated June 1, 1972, of which \$685,000 are currently outstanding (the "Prior Bonds").

The schedules provided to us represent the Commission's assertions that: (1) the anticipated receipts from \$710,000 United States Treasury Notes (the "Government Obligations") will be sufficient to pay the remaining principal of and interest on the Prior Bonds on December 1,

1994; (2) the yield on the Government Obligations is less than the yield on the 1994 Bonds; and (3) other assertions and computations related to the issuance of the 1994 Bonds.

Our examination was made in accordance with standards for an examination of prospective financial information established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the West Virginia Municipal Bond Commission and the preparation and presentation of the prospective information.

The scope of our engagement consisted of and was limited to the verification of the mathematical accuracy of: (1) the computations, contained in such schedules, to determine that the anticipated receipts from the Government Obligations will be sufficient to pay on December 1, 1994, the remaining principal of and interest on the Prior Bonds; (2) the computations of yield, contained in such schedules on the 1994 Bonds and Government Obligations, which are considered by Counsel in their determination that the 1994 Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended; and (3) the savings, if any, resulting from refunding the Prior Bonds.

The term "yield", as used herein, means the yield which, when used in computing the present worth of all payments of principal and interest on an obligation, produces an amount equal to the purchase price. The purchase prices of the refunding portion of the 1994 Bonds and the Government Obligations, as provided to us by the Commission, are \$250,000.00 and \$714,892.17, respectively. The yields were computed using semiannual compounding periods based on the 30 days per month/360 days per year convention.

In the course of our engagement, we were furnished with the following documents: (1) a copy of the Bond Ordinance enacted May 30, 1972, authorizing the issuance of the Prior Bonds from Steptoe & Johnson; (2) the calculation of Prior Bond redemption requirements by the West Virginia Municipal Bond Commission; (3) the debt service schedule for the 1994 Bonds from the West Virginia Water Development Authority; and (4) the purchase confirmation for the United States Treasury Notes.

We compared the information contained in the schedules provided to us by the Commission with certain information set forth in the above-mentioned documents with respect to principal payment dates and amounts, interest payment dates and rates. We found the information contained in such schedules in agreement with the above mentioned information set forth in said documents.

In the course of our examination of the schedules provided to us by the Commission, we prepared similar schedules (Schedules 1 through 5 of this report) based on the information provided to us. In the schedules provided to us and in the schedules we prepared, the closing date for the 1994 Bonds and the purchase date for the Government Obligations is assumed to be July 27, 1994.

In our opinion, the computations contained in the schedules provided to us are mathematically correct. The schedules provided to us and those prepared by us as a part of our engagement to verify the mathematical accuracy of the computations contained in such schedules reflect that:

1. The anticipated receipts from the Government Obligations will be sufficient to pay on December 1, 1994, the remaining principal of and interest on the Prior Bonds, assuming all funds received from the Government Obligations are applied to pay the principal of and interest on the Prior Bonds.
2. The yield of 4.7366594% on the Government Obligations is less than the yield of 6.7510723% on the 1994 Bonds.
3. The present value of the debt service cost for the Issuer as a result of refunding the Prior Bonds is not less than \$43,185.65.

The scope of our engagement was limited to verifying the mathematical accuracy of the computations contained in the schedules provided to us, to the extent described herein. We express no opinion with regard to Counsel's determination that the 1994 Bonds are not arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended. The terms of our engagement are such that we have no obligation to update this report because of events occurring, or data or information coming to our attention subsequent to the date of this report.

A handwritten signature in cursive script, reading "Smith, Cochran & Hick". The signature is written in dark ink and is positioned to the right of the date and location text.

Charleston, West Virginia
July 27, 1994

SCHEDULES

- Schedule 1 - Debt service and redemption requirements - Prior Bonds
- Schedule 2 - Refunding sources and uses
- Schedule 3 - Debt service requirements - 1994 Bonds
- Schedule 4 - Escrow yield calculations
- Schedule 5 - Calculation of debt service savings

\$865,000
 CITY OF GRAFTON, WEST VIRGINIA
 SEWER REVENUE BONDS
 SERIES 1972

	PRINCIPAL		INTEREST	TOTAL
7/27/94				
12/1/94			21,666.25	21,666.25
6/1/95	20,000	6.250%	21,666.25	41,666.25
12/1/95			21,041.25	21,041.25
6/1/96	25,000	6.250%	21,041.25	46,041.25
12/1/96			20,260.00	20,260.00
6/1/97	25,000	6.250%	20,260.00	45,260.00
12/1/97			19,478.75	19,478.75
6/1/98	25,000	6.250%	19,478.75	44,478.75
12/1/98			18,697.50	18,697.50
6/1/99	30,000	6.250%	18,697.50	48,697.50
12/1/99			17,760.00	17,760.00
6/1/00	30,000	6.250%	17,760.00	47,760.00
12/1/00			16,822.50	16,822.50
6/1/01	30,000	6.250%	16,822.50	46,822.50
12/1/01			15,885.00	15,885.00
6/1/02	35,000	6.250%	15,885.00	50,885.00
12/1/02			14,791.25	14,791.25
6/1/03	35,000	6.300%	14,791.25	49,791.25
12/1/03			13,688.75	13,688.75
6/1/04	35,000	6.300%	13,688.75	48,688.75
12/1/04			12,586.25	12,586.25
6/1/05	40,000	6.300%	12,586.25	52,586.25
12/1/05			11,326.25	11,326.25
6/1/06	40,000	6.350%	11,326.25	51,326.25
12/1/06			10,056.25	10,056.25
6/1/07	45,000	6.350%	10,056.25	55,056.25
12/1/07			8,627.50	8,627.50
6/1/08	50,000	6.350%	8,627.50	58,627.50
12/1/08			7,040.00	7,040.00
6/1/09	50,000	6.400%	7,040.00	57,040.00
12/1/09			5,440.00	5,440.00
6/1/10	55,000	6.400%	5,440.00	60,440.00
12/1/10			3,680.00	3,680.00
6/1/11	55,000	6.400%	3,680.00	58,680.00
12/1/11			1,920.00	1,920.00
6/1/12	60,000	6.400%	1,920.00	61,920.00
	<u>\$ 685,000</u>		<u>\$ 481,535.00</u>	<u>\$ 1,166,535.00</u>

PRIOR BOND REDEMPTION REQUIREMENTS

Principal redeemed	\$ 685,000.00
Redemption premium	18,775.00
Interest	<u>21,666.25</u>
Total redemption requirements	<u>\$ 725,441.25</u>

\$2,830,000

CITY OF GRAFTON, WEST VIRGINIA

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BON

SERIES 1994

REFUNDING SOURCES AND USES

Sources:

Bond proceeds	\$ 250,000.00
Existing funds	369,165.41
Issuer contribution	<u>95,726.76</u>
Total sources	<u>\$ 714,892.17</u>

Uses:

Cost of Treasury Bill for escrow	<u>\$ 714,892.17</u>
Total uses	<u>\$ 714,892.17</u>

\$2,830,000

CITY OF GRAFTON, WEST VIRGINIA

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS

SERIES 1994

NEW DEBT SERVICE REQUIREMENTS

	PRINCIPAL	INTEREST	TOTAL	PV FACTOR 6.7510723%	
7/27/94					
10/1/94	-	33,960.00	33,960.00	0.988265603	33,561.50
4/1/95		95,512.50	95,512.50	0.955995626	91,309.53
10/1/95	16,223.49	95,512.50	111,735.99	0.924779364	103,331.14
4/1/96		94,964.96	94,964.96	0.894582411	84,953.98
10/1/96	17,318.57	94,964.96	112,283.53	0.865371484	97,166.96
4/1/97		94,380.46	94,380.46	0.837114386	79,007.24
10/1/97	18,487.57	94,380.46	112,868.03	0.809779970	91,398.27
4/1/98		93,756.50	93,756.50	0.783338109	73,443.04
10/1/98	19,735.48	93,756.50	113,491.98	0.757759658	85,999.64
4/1/99		93,090.43	93,090.43	0.733016424	68,236.81
10/1/99	21,067.62	93,090.43	114,158.05	0.709081134	80,947.32
4/1/00		92,379.40	92,379.40	0.685927406	63,365.56
10/1/00	22,489.68	92,379.40	114,869.08	0.663529721	76,219.05
4/1/01		91,620.37	91,620.37	0.641863390	58,807.76
10/1/01	24,007.73	91,620.37	115,628.10	0.620904533	71,794.01
4/1/02		90,810.11	90,810.11	0.600630049	54,543.28
10/1/02	25,628.26	90,810.11	116,438.37	0.581017590	67,652.74
4/1/03		89,945.15	89,945.15	0.562045540	50,553.27
10/1/03	27,358.17	89,945.15	117,303.32	0.543692986	63,776.99
4/1/04		89,021.82	89,021.82	0.525939702	46,820.11
10/1/04	29,204.85	89,021.82	118,226.67	0.508766118	60,149.72
4/1/05		88,036.15	88,036.15	0.492153305	43,327.28
10/1/05	31,176.17	88,036.15	119,212.32	0.476082953	56,754.95
4/1/06		86,983.96	86,983.96	0.460537348	40,059.36
10/1/06	33,280.57	86,983.96	120,264.53	0.445499356	53,577.77
4/1/07		85,860.74	85,860.74	0.430952402	37,001.89
10/1/07	35,527.00	85,860.74	121,387.74	0.416880452	50,604.17
4/1/08		84,661.70	84,661.70	0.403267995	34,141.35
10/1/08	37,925.07	84,661.70	122,586.77	0.390100028	47,821.10
4/1/09		83,381.73	83,381.73	0.377362036	31,465.10
10/1/09	40,485.01	83,381.73	123,866.74	0.365039979	45,216.31
4/1/10		82,015.36	82,015.36	0.353120277	28,961.29
10/1/10	43,217.75	82,015.36	125,233.11	0.341589790	42,778.35
4/1/11		80,556.76	80,556.76	0.330435810	26,618.84
10/1/11	46,134.95	80,556.76	126,691.71	0.319646042	40,496.50
4/1/12		78,999.71	78,999.71	0.309208594	24,427.39
10/1/12	49,249.06	78,999.71	128,248.77	0.299111962	38,360.74
4/1/13		77,337.55	77,337.55	0.289345016	22,377.24
10/1/13	52,573.37	77,337.55	129,910.92	0.279896992	36,361.68
4/1/14		75,563.20	75,563.20	0.270757476	20,459.30

10/1/14	56,122.07	75,563.20	131,685.27	0.261916393	34,490.53
4/1/15		73,669.08	73,669.08	0.253364000	18,665.09
10/1/15	59,910.32	73,669.08	133,579.40	0.245090869	32,739.09
4/1/16		71,647.11	71,647.11	0.237087882	16,986.66
10/1/16	63,954.26	71,647.11	135,601.37	0.229346217	31,099.66
4/1/17		69,488.65	69,488.65	0.221857343	15,416.57
10/1/17	68,271.17	69,488.65	137,759.82	0.214613003	29,565.05
4/1/18		67,184.50	67,184.50	0.207605214	13,947.85
10/1/18	72,879.47	67,184.50	140,063.97	0.200826251	28,128.52
4/1/19		64,724.82	64,724.82	0.194268643	12,574.00
10/1/19	77,798.83	64,724.82	142,523.65	0.187925161	26,783.78
4/1/20		62,099.11	62,099.11	0.181788814	11,288.92
10/1/20	83,050.25	62,099.11	145,149.36	0.175852838	25,524.93
4/1/21		59,296.16	59,296.16	0.170110690	10,086.91
10/1/21	88,656.14	59,296.16	147,952.30	0.164556042	24,346.44
4/1/22		56,304.02	56,304.02	0.159182770	8,962.63
10/1/22	94,640.43	56,304.02	150,944.45	0.153984952	23,243.17
4/1/23		53,109.90	53,109.90	0.148956859	7,911.08
10/1/23	101,028.66	53,109.90	154,138.56	0.144092950	22,210.28
4/1/24		49,700.18	49,700.18	0.139387862	6,927.60
10/1/24	107,848.10	49,700.18	157,548.28	0.134836410	21,243.25
4/1/25		46,060.31	46,060.31	0.130433578	6,007.81
10/1/25	115,127.84	46,060.31	161,188.15	0.126174512	20,337.84
4/1/26		42,174.75	42,174.75	0.122054517	5,147.62
10/1/26	122,898.97	42,174.75	165,073.72	0.118069054	19,490.10
4/1/27		38,026.91	38,026.91	0.114213728	4,343.19
10/1/27	131,194.65	38,026.91	169,221.56	0.110484291	18,696.32
4/1/28		33,599.09	33,599.09	0.106876632	3,590.96
10/1/28	140,050.29	33,599.09	173,649.38	0.103386774	17,953.05
4/1/29		28,872.39	28,872.39	0.100010871	2,887.55
10/1/29	149,503.68	28,872.39	178,376.07	0.096745201	17,257.03
4/1/30		23,826.64	23,826.64	0.093586166	2,229.84
10/1/30	159,595.19	23,826.64	183,421.83	0.090530284	16,605.23
4/1/31		18,440.30	18,440.30	0.087574186	1,614.89
10/1/31	170,367.86	18,440.30	188,808.16	0.084714613	15,994.81
4/1/32		12,690.39	12,690.39	0.081948415	1,039.96
10/1/32	181,867.69	12,690.39	194,558.08	0.079272542	15,423.11
4/1/33		6,552.35	6,552.35	0.076684044	502.46
10/1/33	194,143.76	6,552.35	200,696.11	0.074180069	14,887.65

\$ 2,830,000.00 \$ 5,286,650.34 \$ 8,116,650.34

2,830,000.00

Yield target

2,830,000.00

\$ 0.00

\$2,830,000

CITY OF GRAFTON, WEST VIRGINIA

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS

SERIES 1994

ESCROW YIELD CALCULATIONS

DEPOSITS		RECEIPTS	PV FACTOR 4.7366594%	
7/27/94	(714,892.17)	(714,892.17)	1.00000000	(714,892.17)
11/30/94		726,418.75	0.98413232	<u>714,892.17</u>
		<u>\$ 11,526.58</u>		<u>\$ (0.00)</u>

\$2,830,000

CITY OF GRAFTON, WEST VIRGINIA

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS

SERIES 1994

CALCULATION OF DEBT SERVICE SAVINGS

	REFUNDED DEBT	REFUNDING DEBT	DIFFERENCE	PV FACTOR 6.7510723%	PRESENT VALUE SAVINGS
7/27/94					
10/1/94		3,000.00	(3,000.00)	0.988265603	(2,964.80)
12/1/94	21,666.25		21,666.25	0.977389693	21,176.37
4/1/95		8,437.50	(8,437.50)	0.955995626	(8,066.21)
6/1/95	41,666.25		41,666.25	0.945474848	39,394.39
10/1/95		9,870.67	(9,870.67)	0.924779364	(9,128.19)
12/1/95	21,041.25		21,041.25	0.914602123	19,244.37
4/1/96		8,389.13	(8,389.13)	0.894582411	(7,504.77)
6/1/96	46,041.25		46,041.25	0.884737489	40,734.42
10/1/96		9,919.04	(9,919.04)	0.865371484	(8,583.65)
12/1/96	20,260.00		20,260.00	0.855848030	17,339.48
4/1/97		8,337.50	(8,337.50)	0.837114386	(6,979.44)
6/1/97	45,260.00		45,260.00	0.827901902	37,470.84
10/1/97		9,970.67	(9,970.67)	0.809779970	(8,074.05)
12/1/97	19,478.75		19,478.75	0.800868303	15,599.91
4/1/98		8,282.38	(8,282.38)	0.783338109	(6,487.90)
6/1/98	44,478.75		44,478.75	0.774717436	34,458.46
10/1/98		10,025.79	(10,025.79)	0.757759658	(7,597.14)
12/1/98	18,697.50		18,697.50	0.749420477	14,012.29
4/1/99		8,223.54	(8,223.54)	0.733016424	(6,027.99)
6/1/99	48,697.50		48,697.50	0.724949543	35,303.23
10/1/99		10,084.63	(10,084.63)	0.709081134	(7,150.82)
12/1/99	17,760.00		17,760.00	0.701277662	12,454.69
4/1/00		8,160.72	(8,160.72)	0.685927406	(5,597.66)
6/1/00	47,760.00		47,760.00	0.678378742	32,399.37
10/1/00		10,147.44	(10,147.44)	0.663529721	(6,733.13)
12/1/00	16,822.50		16,822.50	0.656227544	11,039.39
4/1/01		8,093.67	(8,093.67)	0.641863390	(5,195.03)
6/1/01	46,822.50		46,822.50	0.634799653	29,722.91
10/1/01		10,214.50	(10,214.50)	0.620904533	(6,342.23)
12/1/01	15,885.00		15,885.00	0.614071449	9,754.52
4/1/02		8,022.09	(8,022.09)	0.600630049	(4,818.31)
6/1/02	50,885.00		50,885.00	0.594020086	30,226.71
10/1/02		10,286.07	(10,286.07)	0.581017590	(5,976.39)
12/1/02	14,791.25		14,791.25	0.574623464	8,499.40
4/1/03		7,945.68	(7,945.68)	0.562045540	(4,465.84)
6/1/03	49,791.25		49,791.25	0.555860202	27,676.97
10/1/03		10,362.48	(10,362.48)	0.543692986	(5,634.01)
12/1/03	13,688.75		13,688.75	0.537709619	7,360.57
4/1/04		7,864.12	(7,864.12)	0.525939702	(4,136.05)
6/1/04	48,688.75		48,688.75	0.520151710	25,325.54
10/1/04		10,444.05	(10,444.05)	0.508766118	(5,313.58)
12/1/04	12,586.25		12,586.25	0.503167122	6,332.99
4/1/05		7,777.05	(7,777.05)	0.492153305	(3,827.50)
6/1/05	52,586.25		52,586.25	0.486737134	25,595.68
10/1/05		10,531.12	(10,531.12)	0.476082953	(5,013.69)
12/1/05	11,326.25		11,326.25	0.470843637	5,332.89
4/1/06		7,684.10	(7,684.10)	0.460537348	(3,538.81)
6/1/06	51,326.25		51,326.25	0.455469113	23,377.52
10/1/06		10,624.07	(10,624.07)	0.445499356	(4,733.02)
12/1/06	10,056.25		10,056.25	0.440596615	4,430.75
4/1/07		7,584.87	(7,584.87)	0.430952402	(3,268.72)
6/1/07	55,056.25		55,056.25	0.426209751	23,465.51
10/1/07		10,723.30	(10,723.30)	0.416880452	(4,470.33)
12/1/07	8,627.50		8,627.50	0.412292663	3,557.05
4/1/08		7,478.95	(7,478.95)	0.403267995	(3,016.02)
6/1/08	58,627.50		58,627.50	0.398830012	23,382.41
10/1/08		10,829.22	(10,829.22)	0.390100028	(4,224.48)
12/1/08	7,040.00		7,040.00	0.385806958	2,716.08

4/1/09		7,365.88	(7,365.88)	0.377362036	(2,779.60)
6/1/09	57,040.00		57,040.00	0.373209149	21,287.85
10/1/09		10,942.29	(10,942.29)	0.365039979	(3,994.37)
12/1/09	5,440.00		5,440.00	0.361022697	1,963.96
4/1/10		7,245.17	(7,245.17)	0.353120277	(2,558.42)
6/1/10	60,440.00		60,440.00	0.349234171	21,107.71
10/1/10		11,063.00	(11,063.00)	0.341589790	(3,779.01)
12/1/10	3,680.00		3,680.00	0.337830578	1,243.22
4/1/11		7,116.32	(7,116.32)	0.330435810	(2,351.49)
6/1/11	58,680.00		58,680.00	0.326799348	19,176.59
10/1/11		11,191.85	(11,191.85)	0.319646042	(3,577.43)
12/1/11	1,920.00		1,920.00	0.316128322	606.97
4/1/12		6,978.77	(6,978.77)	0.309208594	(2,157.90)
6/1/12	61,920.00		61,920.00	0.305805739	18,935.49
10/1/12		11,329.40	(11,329.40)	0.299111962	(3,388.76)
4/1/13		6,831.94	(6,831.94)	0.289345016	(1,976.79)
10/1/13		11,476.23	(11,476.23)	0.279896992	(3,212.16)
4/1/14		6,675.19	(6,675.19)	0.270757476	(1,807.36)
10/1/14		11,632.97	(11,632.97)	0.261916393	(3,046.87)
4/1/15		6,507.87	(6,507.87)	0.253364000	(1,648.86)
10/1/15		11,800.30	(11,800.30)	0.245090869	(2,892.15)
4/1/16		6,329.25	(6,329.25)	0.237087882	(1,500.59)
10/1/16		11,978.92	(11,978.92)	0.229346217	(2,747.32)
4/1/17		6,138.57	(6,138.57)	0.221857343	(1,361.89)
10/1/17		12,169.60	(12,169.60)	0.214613003	(2,611.75)
4/1/18		5,935.03	(5,935.03)	0.207605214	(1,232.14)
10/1/18		12,373.14	(12,373.14)	0.200826251	(2,484.85)
4/1/19		5,717.74	(5,717.74)	0.194268643	(1,110.78)
10/1/19		12,590.43	(12,590.43)	0.187925161	(2,366.06)
4/1/20		5,485.79	(5,485.79)	0.181788814	(997.25)
10/1/20		12,822.38	(12,822.38)	0.175852838	(2,254.85)
4/1/21		5,238.18	(5,238.18)	0.170110690	(891.07)
10/1/21		13,069.99	(13,069.99)	0.164556042	(2,150.75)
4/1/22		4,973.85	(4,973.85)	0.159182770	(791.75)
10/1/22		13,334.31	(13,334.31)	0.153984952	(2,053.28)
4/1/23		4,691.69	(4,691.69)	0.148956859	(698.86)
10/1/23		13,616.48	(13,616.48)	0.144092950	(1,962.04)
4/1/24		4,390.48	(4,390.48)	0.139387862	(611.98)
10/1/24		13,917.69	(13,917.69)	0.134836410	(1,876.61)
4/1/25		4,068.93	(4,068.93)	0.130433578	(530.73)
10/1/25		14,239.24	(14,239.24)	0.126174512	(1,796.63)
4/1/26		3,725.68	(3,725.68)	0.122054517	(454.74)
10/1/26		14,582.48	(14,582.48)	0.118069054	(1,721.74)
4/1/27		3,359.27	(3,359.27)	0.114213728	(383.67)
10/1/27		14,948.90	(14,948.90)	0.110484291	(1,651.62)
4/1/28		2,968.12	(2,968.12)	0.106876632	(317.22)
10/1/28		15,340.05	(15,340.05)	0.103386774	(1,585.96)
4/1/29		2,550.56	(2,550.56)	0.100010871	(255.08)
10/1/29		15,757.60	(15,757.60)	0.096745201	(1,524.47)
4/1/30		2,104.83	(2,104.83)	0.093586166	(196.98)
10/1/30		16,203.34	(16,203.34)	0.090530284	(1,466.89)
4/1/31		1,629.00	(1,629.00)	0.087574186	(142.66)
10/1/31		16,679.17	(16,679.17)	0.084714613	(1,412.97)
4/1/32		1,121.06	(1,121.06)	0.081948415	(91.87)
10/1/32		17,187.11	(17,187.11)	0.079272542	(1,362.47)
4/1/33		578.83	(578.83)	0.076684044	(44.39)
10/1/33		17,729.34	(17,729.34)	0.074180069	(1,315.16)

\$1,166,535.00 \$717,018.58 \$449,516.42

\$ 421,706.52

SAVINGS SUMMARY

Present value savings from above	\$ 421,706.52
Issuer contribution	(464,892.17)
Net debt service cost	<u>\$ (43,185.65)</u>

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER EAST

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

July 6, 1994

34 WEST CONGRESS STREET

P. O. BOX 20

CHARLES TOWN, W. VA. 25411-0100

304 725-4444

FACSIMILE 304 725-9133

THE BRYAN CENTRE

P. O. BOX 570

82 WEST WASHINGTON STREET S.W. 3C
HAGERSTOWN, MARYLAND 21740-0570

301 739-8600

FACSIMILE 301 739-8742

WRITER'S DIRECT DIAL NUMBER

(304)624-8161

SEVENTH FLOOR, BANK ONE CENTER
P. O. BOX 1588
CHARLESTON, W. VA. 25326-1588
304 353-8000
FACSIMILE 304 353-8180

300 HAMPTON CENTER
P. O. BOX 1616
MORGANTOWN, W. VA. 26507-1616
304 598-8000
FACSIMILE 304 598-8116

26 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25401-8429
304 263-6991
FACSIMILE 304 263-4785

City of Grafton Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

VIA TELECOPY AND REGULAR MAIL

Mr. R. Witter Hallan
Executive Director
West Virginia Municipal Bond
Commission
1800 Washington Street, East
Building 3, Suite 337
Charleston, West Virginia 25305

Dear Witter:

As bond counsel for the City of Grafton (the "Issuer"), we wish to advise you that on July 27, 1994 (the "Closing Date"), the Issuer will deliver the above-captioned bonds (the "Series 1994 Bonds") to the purchaser thereof. A portion of the proceeds of the Series 1994 Bonds will be used to refund the Issuer's Sewer Revenue Bonds, dated June 1, 1972 (the "Prior Bonds"). On the Closing Date, the Issuer will be required to fund an Escrow Fund, pursuant to an Escrow Agreement dated July 27, 1994, by and between the Issuer and the West Virginia Municipal Bond Commission (the "Commission"), as Escrow Agent.

The Escrow Fund will be funded with (i) \$250,000 from a portion of the proceeds of the Series 1994 Bonds; (ii) approximately \$95,800 from the Issuer's funds; and (iii) \$369,165.41 to be transferred by the Commission from the sinking fund, the reserve account therein and the depreciation account created for the Prior Bonds and held by the Commission. The sum of \$250,000 from a portion of the proceeds of the Series 1994 Bonds and the sum of approximately \$95,800 from the Issuer's funds will be delivered by separate checks to the Escrow Agent on the Closing Date. The transfer from the sinking fund, reserve account therein and the depreciation account created for the Prior Bonds and held by the Commission should also be made on the Closing Date.

Mr. R. Witter Hallan

Page 2

You are hereby authorized by the Issuer, subject to our confirmation by telephone on July 22, 1994, to subscribe to United States Treasury Notes (the "T-Notes") in the par amount of \$710,000, maturing November 30, 1994, for settlement on the Closing Date. The proceeds of the T-Notes, together with interest to accrue thereon, are shown by the Exhibits to the Escrow Agreement to be in amounts sufficient to fully pay, on December 1, 1994, the redemption price of the Prior Bonds, such redemption price being \$725,441.25.

If you have any questions regarding the foregoing, please feel free to call me.

Very truly yours,



Vincent A. Collins

VAC/cab

Copy of letter to:

Donna C. Hoyler, City Manager

Mr. Daniel B. Yonkosky

Samme L. Gee, Esquire

Frances C. Whiteman, Esquire

Jill Patterson, CPA

07/06/94

GRAFC.Z3

345720/93001

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER EAST

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

July 6, 1994

84 WEST CONGRESS STREET

P. O. BOX 30

CHARLES TOWN, W. VA. 25311-40100

304 725-4444

FACSIMILE 304 725-9933

THE BRYAN CENTRE

P. O. BOX 570

82 WEST WASHINGTON STREET, SUITE 30
HAGERSTOWN, MARYLAND 21740-0570

301 739-8600

FACSIMILE 301 739-8742

WRITER'S DIRECT DIAL NUMBER

(304)624-8161

City of Grafton

Combined Waterworks and Sewerage System Revenue Bonds, Series 1994

VIA TELECOPY AND REGULAR MAIL

Mr. R. Witter Hallan
Executive Director
West Virginia Municipal Bond
Commission
1800 Washington Street, East
Building 3, Suite 337
Charleston, West Virginia 25305

Dear Witter:

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Mr. R. Witter Hallan

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If you have any questions regarding the foregoing, please feel free to call me.

Very truly yours,



Vincent A. Collins

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Jill Patterson, CPA

07/06/94

GRAFC.Z3

345720/93001

CITY OF GRAFTON
\$865,000
Sewer Revenue Bonds

BOND ORDINANCE

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AN ORDINANCE AUTHORIZING THE ISSUANCE OF
\$ 865,000 SEWER REVENUE BONDS OF THE
CITY OF GRAFTON, WEST VIRGINIA, TO FINANCE
PART OF THE COST OF THE CONSTRUCTION OF
ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO
THE EXISTING SEWER SYSTEM OF SAID CITY;
DEFINING AND PRESCRIBING THE TERMS AND
PROVISIONS OF SAID BONDS; PROVIDING FOR
THE FIXING, ESTABLISHING AND COLLECTING
OF RATES AND CHARGES FOR THE SERVICES AND
FACILITIES OF SAID SEWER SYSTEM; PROVIDING
FOR THE RIGHTS AND REMEDIES AND SECURITIES
OF THE HOLDERS OF SAID BONDS; PROVIDING
THAT CONNECTION WITH THE SEWER SYSTEM SHALL
BE MANDATORY; AND PROVIDING WHEN THIS
ORDINANCE SHALL TAKE EFFECT.

BE IT ORDAINED AND ENACTED BY THE CITY COUNCIL OF
THE CITY OF GRAFTON, WEST VIRGINIA:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS
AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This
Ordinance is enacted pursuant to the provisions of Article 13,
Chapter 16 of the West Virginia Code (herein called the "Act")
and other applicable provisions of law.

Section 1.02. Findings. It is hereby found, de-
termined and declared as follows:

A. The City of Grafton (herein called the "City")
now owns and operates a municipal sewer System and the Sanitary
Board has petitioned this Council in writing for the enactment
of this Ordinance.

B. It is necessary and desirable for the health,
welfare, convenience and safety of the inhabitants of the
City and those served and to be served by the sewer facilities
of the City, and it is required by law in view of the order of
the State Department of Natural Resources directed to the City
pursuant to Section 23a of the Act, that there be constructed

additions, extensions and improvements to said sewer system according to the plans and specifications prepared by Cerrone & Vaughn, Inc., Consulting Engineers, Wheeling, West Virginia (herein collectively called the "Project"), and heretofore filed in the office of the City Clerk.

C. It is necessary for the City to issue its sewer revenue bonds in the principal amount of \$ 865,000 to finance part of the cost of the construction of the Project in the manner hereinafter provided.

D. The estimated maximum cost of construction of the Project is the sum of Three Million Eight Hundred Seventy Dollars (\$3,870,000), of which sum \$ 865,000 will be supplied by the proceeds of sale of the bonds herein authorized and the balance of \$ 3,005,000 from the proceeds of Federal grants for Projects Nos. EDA 03-1-00661 and FWQA-EDA 03-2-00708.

E. The costs of construction of the Project shall be deemed to include the cost of the acquisition and construction of the additions, extensions and improvements to the existing sewer system of the City as herein described and defined as the Project, the acquisition of any necessary property, real or personal, tangible or intangible, or interest therein, and any other purposes necessary, incidental, desirable or appurtenant to the construction of the described Project; interest on the Bonds during and for six months after completion of the construction of the Project to the extent that the interest is not paid from the revenues of the sewer system; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; expenses for fiscal or other agents in connection with the issuance of the bonds, and

such other expenses as may be necessary or incidental to the construction and acquisition of the described Project and the financing authorized by this Ordinance.

F. The period of usefulness of the Sewer System after completion of the Project is not less than forty years.

Section 1.03. Ordinance to Constitute Contract.

In consideration of the acceptance of the bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the City and such Bondholders, and the covenants and agreements herein set forth to be performed by the City shall be for the equal benefit, protection and security of the legal holders of any and all such bonds, and the coupons appertaining thereto, all which shall be of equal rank without preference, priority or distinction of any of the bonds or coupons over any other thereof, except as expressly provided therein and herein.

Section 1.04. Definitions. The following terms shall have the following meanings in this Ordinance unless the text otherwise expressly requires:

"Act" means Article 13, Chapter 16 of the West Virginia Code.

"Bonds" means the \$ 865,000 Sewer Revenue Bonds originally authorized to be issued pursuant to this Ordinance and includes the interest coupons appertaining to the bonds; and also includes any additional parity bonds hereafter issued within the terms, restrictions and conditions contained in this Ordinance and the interest coupons appertaining to such additional parity bonds.

"1972 Bonds" means the Bonds originally authorized to be issued pursuant hereto, dated the 1st day of June,

1972, and the interest coupons appertaining thereto.

"Bondholder" or "Holder of the Bonds" or any similar term means any person who shall be the bearer or owner of any outstanding Bond or Bonds registered to bearer or not registered, or the registered owner of any outstanding Bond or Bonds which shall at the time be registered other than to the bearer or of any coupons representing interest accrued or to accrue on said Bonds.

"City" means the City of Grafton, a municipal corporation of the State of West Virginia, in the County of Taylor and also means, where appropriate, the City Council and the Sanitary Board of the City.

"Consulting Engineers" means Cerrone & Vaughn, Inc., Consulting Engineers, Wheeling, West Virginia, or any engineer or firm of engineers which shall at any time hereafter be retained by the City as Consulting Engineers for the Sewer System.

"Fiscal Year" means each twelve month period beginning on July 1 and ending on the succeeding June 30.

"Net Revenues" means the balance of the gross revenues, as defined herein, remaining after deduction only of the operating expenses, as defined herein.

"Operating Expenses" means the current expenses, paid or accrued, of operation and maintenance of the Sewer System, and includes, without limiting the generality of the foregoing, insurance premiums, supplies, salaries, wages and administrative expenses of the City relating and chargeable solely to the Sewer System, the accumulation of appropriate reserves for charges not annually recurrent but which are such as may reasonably be expected to be incurred, and such other reasonable operating costs and expenses as should normally and regularly be included under recognized accounting practices.

"Original purchasers of the Bonds" means any person who purchases any of the Bonds upon initial issuance directly from the City.

"Project" means the additions, extensions and improvements to the existing sanitary sewer facilities of the City pursuant to this Ordinance, consisting of additional sanitary sewer lines to recently annexed portions of the City (the Blueville, Brownlow and Lucretia areas), interceptor sewers for the collection of sewage and a sewage treatment plant, all with necessary lifts, pump stations, land and rights therein and all necessary appurtenant facilities, as designed by the Consulting Engineers.

"Revenues" or "gross revenues" means all rates, rents, fees, charges or other income received by the City or accrued to the City or the Sanitary Board from the operation of the Sewer System, and all parts thereof, all as calculated in accordance with recognized accounting practices.

"Sanitary Board" means the sanitary board heretofore appointed by the City Council pursuant to Section 18 of the Act.

"Sewer System" means the existing municipal sewer facilities as expanded by the Project and all parts thereof and all additions, extensions and improvements at any time added thereto.

Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION AND ISSUE OF BONDS

Section 2.01. Authorization of Bonds. Subject and pursuant to the provisions of this Ordinance, bonds of the City, to be known as "Sewer Revenue Bonds," are hereby authorized to be issued in the aggregate principal amount of not exceeding Eight Hundred Sixty-Five Thousand Dollars (\$ 865,000), for the purpose of financing part of the cost of the construction of the Project, all as authorized by this Ordinance.

Section 2.02. Description of Bonds. The 1972 Bonds shall be dated the first day of June, 1972, shall be in the denomination of \$5,000 each, shall be numbered 1 to 173, inclusive, shall bear interest, payable semiannually on June 1 and December of each year, at a rate or rates of not exceeding the rate of eight per centum (8%) per annum. The 1972 Bonds shall be redeemable prior to their respective stated dates of maturity, at the option of the City, in whole or in part, but in inverse numerical order if less than all, on June 1, 1982, or on any interest payment date thereafter, at the price of the par value thereof and accrued interest to the date of redemption, plus a premium of one-half of one per centum of the par value thereof for each year or fraction thereof from the date of redemption to the stated date of maturity of the 1972 Bonds called for redemption, such premium in no event however to exceed three per centum (3%) of the par value thereof.

A notice of the redemption of any of the 1972 Bonds shall be published at least once not less than thirty nor more than sixty days prior to the date of redemption in a

financial newspaper published in the City of New York, New York. Interest shall cease upon any of the 1972 Bonds so called for prior redemption on the redemption date provided payment thereof has been duly made or provided for.

The 1972 Bonds shall mature serially in numerical order, lowest numbers first, on the first day of June of each year, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1983	\$ 10,000	1993	\$ 20,000	2003	\$ 35,000
1984	10,000	1994	20,000	2004	35,000
1985	10,000	1995	20,000	2005	40,000
1986	15,000	1996	25,000	2006	40,000
1987	15,000	1997	25,000	2007	45,000
1988	15,000	1998	25,000	2008	50,000
1989	15,000	1999	30,000	2009	50,000
1990	15,000	2000	30,000	2010	55,000
1991	15,000	2001	30,000	2011	55,000
1992	20,000	2002	35,000	2012	60,000

The 1972 Bonds shall be issued in negotiable, serial, coupon form, shall be payable with respect to both principal and interest in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, through The Blueville Bank of Grafton, Grafton, West Virginia, or at First National City Bank, New York City, New York, at the option of the holder, and shall bear interest from their date, payable in accordance with and upon the surrender of the appurtenant interest coupons as they severally mature.

Section 2.03. Execution of Bonds and Coupons. The Bonds shall be executed in the name of the City by its Mayor and its corporate seal shall be affixed thereto and attested by its City Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the City before the Bonds so signed and sealed shall have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed

such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the City by such person as at the actual time of the execution of such Bonds shall hold the proper office in the City, although at the date of such Bond such person may not have held such office or may not have been so authorized.

The coupons to be attached to the Bonds shall be authenticated with the facsimile signatures of the present or any future Mayor and City Clerk of the City, and the City may adopt and use for that purpose the facsimile signature of any person who shall have been such Mayor or City Clerk at any time on or after the date of the Bonds, notwithstanding that he may have ceased to be such Mayor or City Clerk at the time when said Bonds shall be actually sold and delivered.

Section 2.04. Negotiability and Registration. The Bonds shall be and have all the qualities and incidents of negotiable instruments as provided in the Act. The Bonds shall pass by delivery except when registered as hereinafter provided.

The Bonds may be registered at the option of the holder as to principal only in the Bond Register of the Treasurer of the State of West Virginia, Charleston, West Virginia, such registration to be noted on the Bonds in the space provided therefor and thereafter no transfer of the Bonds shall be valid unless made at said office by the registered owner or by his duly authorized agent or representative, and similarly noted on the Bonds, but the Bonds may be discharged from registration by being in like manner transferred to bearer and thereupon transferability by delivery shall be restored. At the option of the holder the Bonds may thereafter again from time to time be regis-

tered or transferred to bearer as before. Such registration shall not affect the negotiability of the coupons which shall continue to pass by delivery.

Section 2.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City may in its discretion issue and deliver a new Bond with all unmatured coupons attached of like tenor as the Bond and attached coupons, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and substitution for the Bond and attached coupons, if any, destroyed, stolen or lost, and upon the holder's furnishing to the City proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the City may prescribe and paying such expenses as the City may incur. All Bonds and coupons so surrendered shall be cancelled by the City Clerk and held for the account of the City. If any such Bond or coupon shall have matured or be about to mature, instead of issuing a substituted Bond or coupon, the City may pay the same, upon being indemnified as aforesaid, and, if such Bond or coupon be destroyed, stolen or lost, without surrender thereof.

Any such duplicate Bonds and coupons issued pursuant to this Section shall constitute original, additional contractual obligations on the part of the City, whether or not the lost, stolen or destroyed Bonds or coupons be at any time found by anyone, and such duplicate Bonds and coupons shall be entitled to equal and proportionate benefits with all other Bonds and coupons issued hereunder.

Section 2.06. Form of Bonds and Coupons. Subject to the provisions of this Ordinance, the text of the Bonds, the provision for registration to be endorsed thereon, and coupons shall be of substantially the following tenor, with such omissions, insertions and variations as may be authorized or permitted by this Ordinance or any subsequent ordinance or resolution adopted prior to the issuance thereof:

(Form of Bonds)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
COUNTY OF TAYLOR
CITY OF GRAFTON
SEWER REVENUE BOND

No.

\$5,000

The City of Grafton, in the County of Taylor, and State of West Virginia, a municipal corporation created and existing under the laws of the State of West Virginia, for value received, hereby promises to pay to the bearer or, if this Bond be registered, to the registered holder as herein provided, on the first day of June, 19 , from the revenues hereinafter mentioned, the principal sum of

FIVE THOUSAND DOLLARS

with interest thereon at the rate of per centum (%) per annum, payable semiannually on the first day of June and the first day of December of each year, upon the presentation and surrender of the annexed coupons as they severally fall due. Both principal of and interest on this Bond are payable in lawful money of the United States of America at the office of the State Sinking Fund Commission, Charleston, West Virginia, through The Blueville Bank of Grafton, Grafton, West Virginia, or at the option of the holder, at First National City Bank, in the City of New York, New York.

The Bonds of the issue of which this Bond is one maturing in the years 1983 to 2012, both inclusive, are redeemable prior to their stated dates of maturity, at the option of the City, in whole or in part, but in inverse numerical order if less than all, on June 1, 1982, or on any interest payment date thereafter, at the price of par and accrued interest to date of redemption, plus a

premium of one-half of one per centum of the par value thereof for each year or fraction thereof from the date of redemption to the stated date of maturity of the Bonds called for redemption, such premium in no event however to exceed three per centum (3%) of the par value thereof; provided, however, that a notice of such redemption shall have been published at least once not less than thirty nor more than sixty days prior to the redemption date in a financial newspaper published in the City of New York. Interest shall cease upon this Bond after the redemption date if it shall be duly called for prior redemption and payment thereof duly provided for.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of Eight Hundred Sixty-Five Thousand Dollars (\$865,000) of like date, tenor and effect, except as to number* and date of maturity, issued to finance part of the cost of the construction of additions, extensions and improvements to the Sewer System owned and operated by the City under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Article 13, Chapter 16 of the West Virginia Code (herein called the "Act") and other applicable statutes, and an Ordinance duly enacted by the Council of said City, and is subject to all the terms and conditions of said Ordinance.

This Bond and the coupons appertaining hereto are payable solely from, and secured by a first lien upon and pledge of the net revenues derived from the operation of the Sewer System of the City, in the manner provided in the Ordinance, and do not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provisions or limitations, and the City shall not

* ", interest rate" if more than one rate

be obligated to pay this Bond or the interest hereon except from the revenues of the Sewer System, as provided in the Ordinance. Neither the credit nor the taxing power of the City shall be deemed to be pledged to, nor shall a tax ever be levied for, the payment of the principal of or interest on this Bond. The City covenants with the holders of the Bonds of the issue of which this Bond is one to establish and at all times maintain such rates and collect such charges for the services and other facilities rendered by the Sewer System, and to revise the same from time to time, whenever necessary, as will always provide net revenues in each fiscal year sufficient to pay one hundred thirty per centum (130%) of the amount of principal of and interest on the Bonds maturing and becoming due in such fiscal year, and the City has entered into certain other covenants with the holders of the Bonds of the issue of which this Bond is one, for the terms of which reference is made to the Ordinance.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in regular and due time, form and manner as required by the laws and Constitution of the State of West Virginia applicable thereto, and that the issuance of this Bond and of the issue of Bonds of which this Bond is one, is not in violation of any constitutional, statutory or charter limitation of indebtedness.

This Bond, under the provisions of the Act is, and
has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State.

This Bond may be registered as to principal only in accordance with the provisions endorsed hereon.

IN WITNESS WHEREOF, the City of Grafton has caused this Bond to be signed by its Mayor and its corporate seal to be affixed hereto and attested by its City Clerk, and the annexed interest coupons to be executed with the facsimile signatures of said Mayor and said City Clerk, all as of the first day of June, 1972.

CITY OF GRAFTON

By _____
Mayor

ATTEST:

City Clerk

(Form of Coupon)

No.

\$

On the first day of _____, 19____, the City of Grafton, West Virginia, unless the Bond to which this coupon was originally attached shall have been called for prior redemption and payment of the redemption price duly made or provided for, will pay to the bearer at the office of the State Sinking Fund Commission, Charleston, West Virginia, through The Blueville Bank of Grafton, Grafton, West Virginia, or at the option of the holder, at First National City Bank, in the City of New York, New York, solely from the revenues described in the Bond to which this coupon is attached, the sum of Eight Hundred Sixty-Five Thousand Dollars (\$865,000) in lawful money of the United States of America, upon presentation and surrender of this coupon, being six months' interest then due on its Sewer Revenue Bond, dated June 1, 1972, No.

CITY OF GRAFTON

By _____
Mayor

ATTEST:

City Clerk

PROVISION FOR REGISTRATION

This Bond may be registered in the name of the holder as to principal only on books kept by the Treasurer of the State of West Virginia, such registration being noted hereon in the registration blank below, after which no transfer shall be valid unless made on said books by the registered holder or his agent or representative duly authorized, and similarly noted in said registration blank below, but it may be discharged from registration by being transferred to bearer, after which it shall be transferable by delivery. At the option of the holder, this Bond shall again be subject to successive registrations and transfers as before. The principal of this Bond, if registered, shall be payable only to the registered owner or his legal representative. Notwithstanding the registration of this Bond, the coupons shall remain payable to bearer and shall continue to be transferable by delivery merely.

(No writing on this Bond except by the
Treasurer of the State of West Virginia
as Registrar.)

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

ARTICLE III

REVENUES AND APPLICATION THEREOF

Section 3.01. Bonds Not to be Indebtedness of the City. Neither the Bonds nor coupons shall be or constitute an indebtedness of the City, but shall be payable solely from the net revenues of the Sewer System, as herein provided. No holder of any Bond shall ever have the right to compel the exercise of the taxing power of the City to pay such Bond or the interest thereon.

Section 3.02. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all of the Bonds shall be secured forthwith equally and ratably by a first lien on the net revenues derived from the Sewer System. The net revenues derived from the Sewer System in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Sinking Fund and other funds and accounts hereinafter provided for, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds herein authorized as the same become due.

Section 3.03. Disposition of 1972 Bond Proceeds. All moneys received from the sale of the 1972 Bonds, except accrued interest and capitalized interest for the period of twenty-one months which shall be at once deposited in the Sinking Fund, shall be deposited by the City in a special fund in a bank in the State of West Virginia which is eligible under the State laws to receive deposits of State and municipal funds, which fund is hereby created and designated as the "Grafton Sewer Project Construction Trust Fund," (herein called the "Construction Fund"). Proceeds of Federal grants for the Project will also be deposited in the Construction Fund. The moneys in the

Construction Fund shall be secured at all times by the deposit by said bank or trust company of direct obligations of the United States having a market value at least equal to the amount of moneys in the Construction Fund in excess of the amount insured therein by Federal Deposit Insurance Corporation (herein called "FDIC"). Moneys in the Construction Fund shall be expended by the City solely for the purposes provided in this Ordinance, and the bondholders shall have a first lien on such moneys until so applied. The moneys in the Construction Fund shall be used only for the purpose of paying the costs of the Project, and no expenditures shall be made from the Construction Fund, except for engineering and legal expenses and the cost of the issuance of the 1972 Bonds, without the written approval of the Consulting Engineer. All payments from the Construction Fund shall be made upon vouchers delivered to the depository bank by the City through the Sanitary Board, and shall be upon cashier's checks of the depository bank. Any moneys in the Construction Fund not immediately needed for said purposes may, with the approval of the Consulting Engineer, be invested in direct obligations of the United States of America having a maturity of not more than one year. Any balance in the Construction Fund after the completion of and payment or provision for payment of the costs of the Project remaining from the proceeds of sale of the 1972 Bonds and investment and reinvestment thereof shall be used only for the purchase of 1972 Bonds of the last maturity then outstanding at not more than par and accrued interest or for deposit into the Reserve Account in the Sinking Fund. Other moneys then remaining in the Construction Fund shall be disposed of as the City may direct.

Section 3.04. Revenues, Funds and Accounts. So long as any of the Bonds shall be outstanding and unpaid,

or until there shall have been set apart in the Sinking Fund and the Reserve Account therein, a sum sufficient to pay, when due, or redeem prior to maturity, the entire principal of the Bonds remaining unpaid together with interest accrued and to accrue thereon and redemption premiums, if any, the City covenants with the holders of the Bonds as follows:

A. Sewer System Revenue Fund. The entire gross revenues derived from the operation of the Sewer System and all parts thereof shall be deposited by the City in a special fund in a bank in the State of West Virginia which is a member of the FDIC, which fund (herein called the "Revenue Fund") is hereby established. The Revenue Fund shall constitute a trust fund for the purposes provided in this Ordinance and shall be kept separate and distinct from all other funds of the City and used only for the purposes and in the manner herein provided.

B. Operation and Maintenance. The City will maintain in good condition the Sewer System and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof.

C. Disposition of Revenues. All revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

(1) The City shall first each month, from the moneys in the Revenue Fund, pay all current Operating Expenses of the Sewer System.

(2) The City shall next, on or before the fifteenth day of each month, apportion and set apart out of the Revenue Fund and remit to the State Sinking Fund Commission, for

deposit into the "Sinking Fund," which is hereby established with the State Sinking Fund Commission, such sums as will be sufficient to pay one-sixth of the interest which will mature and become due on the next interest payment date; and shall also, on or before the fifteenth day of each month apportion and set apart out of the Revenue Fund and remit to the State Sinking Fund Commission, for deposit into the Sinking Fund, such sums as will be sufficient to pay one-twelfth of the principal which will mature and become due on the next succeeding June 1.

The City shall also, from the Revenue Fund, remit to the State Sinking Fund Commission, on such dates, or at such other times as the State Sinking Fund Commission shall require, such additional sums as shall be necessary to pay the fiscal charges due for paying the Bonds and the interest thereon.

The State Sinking Fund Commission is hereby designated as the Fiscal Agent for the administration of the Sinking Fund created hereunder, and all amounts required for the Sinking Fund shall be remitted to the State Sinking Fund Commission from the Revenue Fund by the City at the times provided herein.

Moneys in the Sinking Fund shall be used only for the purpose of paying principal of and interest on the Bonds as the same shall become due.

The City shall next, from the Revenue Fund, remit to the State Sinking Fund Commission, for deposit in a Reserve Account hereby established in the Sinking Fund, on or before the fifteenth day of each month an amount equal to twenty per centum (20%) of all amounts required to be paid in such month into the Sinking Fund for maturing principal

of and interest, as provided above; provided, however, that no further payments need be made into the Reserve Account when there shall have been deposited therein, and so long as there shall remain on deposit therein, an amount equal to twice the largest amount of principal and interest which will mature and become due on the Bonds in any succeeding year.

Moneys in the Reserve Account shall be used only for the purpose of the payment of maturing principal of or interest on the Bonds when other moneys in the Sinking Fund are insufficient therefor, or for mandatory redemption of the Bonds as hereinafter provided, and for no other purpose. Any moneys withdrawn from the Reserve Account for the payment of principal of and interest on the Bonds shall be restored thereto from the first revenues available after the payment of all sums required for principal of and interest on the Bonds.

(3) Thereafter, from the revenues remaining in the Revenue Fund, the City shall next, on the fifteenth day of June and the fifteenth day of December in each year, beginning with December 15, 1972, pay into a fund to be known as the "Depreciation Account," which is hereby established with the State Sinking Fund Commission, a sum equal to two and one-half per centum of the gross revenues derived from the operation of the Sewer System during the preceding fiscal year, but only to the extent of availability of funds therefor. The moneys in the Depreciation Account shall be used first to restore any withdrawal from the Reserve Account and shall next be used only for the replacement or addition of capital assets of the Sewer System.

(4) If all of the above required payments are then current, the City shall transfer all moneys remaining in the

Revenue Fund not needed for the payment of Operating Expenses in the remainder of the current fiscal year and the next ensuing fiscal year to, in its discretion, either the Depreciation Account or the Sinking Fund.

If the City Council finds and determines by resolution, approved in writing by the Consulting Engineer, that a portion of the moneys in the Depreciation Account is not needed for the purposes of the Depreciation Account during the current fiscal year and the next ensuing fiscal year, the City may transfer such surplus moneys to the Sinking Fund.

The City may, in its discretion, direct the State Sinking Fund Commission to use any surplus moneys in the Sinking Fund for the purchase, or redemption if such Bonds are then callable, of any outstanding Bonds, at prices for the non-callable Bonds not greater than the then market price of such Bonds, in no event to exceed the maximum redemption price of any of the Bonds outstanding, and at not greater than the then redemption price for callable Bonds.

All the funds provided for above shall constitute trust funds and shall be used only for the purposes provided herein. The moneys in excess of the sum insured by FDIC in the Revenue Fund shall at all times be secured, to the full extent thereof in excess of such insured sum, by direct obligations of the United States of America or such other obligations as shall be eligible as security for deposits of State and municipal funds under the laws of the State of West Virginia.

If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds as hereinabove provided, the deficiency shall be made up in

the subsequent payments in addition to the payments which would otherwise be required to be made into the funds on the subsequent payment dates.

Moneys in the Reserve Account and the Depreciation Account shall be invested and reinvested by the State Sinking Fund Commission in direct obligations of the United States of America having maturities not longer than two years from date of purchase. Earnings received upon investment of moneys in the Reserve Account which would result in there being in the Reserve Account more than the maximum amount required to be accumulated and maintained therein shall be transferred by the State Sinking Fund Commission to the Depreciation Account.

All remittances made by the City to the State Sinking Fund Commission shall clearly identify the Fund or Account into which each amount is to be deposited.

Anything to the contrary herein notwithstanding, when the aggregate sum in the Sinking Fund, including the Reserve Account therein, and, at the discretion of the Sanitary Board, in the Depreciation Account, are sufficient to pay and redeem all the Bonds outstanding and all interest accrued and to accrue thereon and any applicable redemption premiums, the City shall cause all the Bonds to be paid or called and redeemed at the earliest practicable date permitted and pursuant to the provisions hereof as to redemption of Bonds.

ARTICLE IV
GENERAL COVENANTS OF THE CITY

Section 4.01. General Statement. So long as any of the Bonds shall be outstanding and unpaid, or until there shall have been set apart in the Sinking Fund a sum sufficient to pay when due, or redeem prior to maturity, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon and redemption premiums, if any, the covenants and agreements contained in this Article IV, and in this Ordinance, shall be and constitute valid and legally binding covenants between the City and the holders from time to time of the Bonds and the interest coupons appertaining thereto.

Section 4.02. Rates. The City will, in the manner provided in the Act, fix such rates and collect such rentals, fees or other charges for the services and facilities of the Sewer System, and revise the same from time to time whenever necessary, as will always provide net revenues in each Fiscal Year sufficient to pay one hundred thirty per centum (130%) of the amount of the principal of and interest on the Bonds maturing and becoming due in such Fiscal Year, and such rates, fees, rentals and other charges shall not be reduced so as to be insufficient to provide such net revenues.

Section 4.03. Sale of the Sewer System. The Sewer System may be sold, mortgaged, leased, or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient fully to pay or redeem at or prior to maturity all the Bonds outstanding. The proceeds from such sale, mortgage, lease or other disposition of the Sewer System shall immediately be remitted

to the State Sinking Fund Commission for deposit in the Sinking Fund and the City shall direct the State Sinking Fund Commission to apply such proceeds to the payment of principal and interest at maturity of Bonds about to mature and to the redemption prior to maturity, at the earliest date permitted hereby and at the redemption price, of all other outstanding Bonds. Any balance remaining after the redemption or payment of all the Bonds and interest thereon shall be remitted to the City by the State Sinking Fund Commission unless necessary for the payment of other obligations of the City payable out of the revenues of the Sewer System.

The foregoing provision notwithstanding, the City shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the Sewer System hereafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of ten thousand dollars (\$10,000), the Sanitary Board shall make a finding by resolution in writing determining that such property comprising a part of the Sewer System is no longer necessary, useful or profitable in the operation thereof, and the City Council may then provide for the sale of such property through the Sanitary Board. The proceeds of any such sale shall be deposited in the Depreciation Account. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of ten thousand dollars (\$10,000) but not in excess of fifty thousand dollars (\$50,000), the Sanitary Board shall first make a finding in writing, which shall be approved in writing by the Consulting Engineers, determining that such property comprising a part of the Sewer System is no longer necessary,

useful or profitable in the operation thereof, and the City Council shall then, if it be so advised, by resolution duly adopted, approve and concur in the finding of the Sanitary Board, and authorize such sale, lease or other disposition of such property upon public bidding. The proceeds derived from any such sale, lease or other disposition of such property, in excess of \$10,000 and not in excess of \$50,000 shall be remitted by the City to the State Sinking Fund Commission for deposit in the Sinking Fund and shall be applied only to the redemption of Bonds of the last maturities then outstanding or to the purchase of Bonds of the last maturities then outstanding at prices not greater than the redemption price of such Bonds. Such payments of such proceeds into the Sinking Fund or the Depreciation Account shall not reduce the amounts required to be paid into said Funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the Sewer System shall be made by the City if the proceeds to be derived therefrom shall be in excess of \$50,000 and insufficient to pay or redeem prior to maturity all the Bonds then outstanding without the prior approval and consent in writing of the holders, or their duly authorized representatives, of sixty-six and two thirds per centum ($66 \frac{2}{3}\%$) in amount of Bonds then outstanding. The City shall prepare the form of such approval and consent for execution by the Bondholders, or their duly authorized representatives, which form shall ~~provide for the disposition of the proceeds of the sale, lease~~ or other disposition of such properties of the Sewer System.

Section 4.04. Covenant Against Encumbrances. The City shall not issue any obligations whatsoever, except additional parity bonds hereinafter provided for, payable

from the revenues of the Sewer System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues, with the Bonds; and all obligations hereafter issued by the City payable from the revenues of the Sewer System, except such additional parity bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Bonds.

The City shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge, having priority over or being on a parity with the lien of the Bonds and the interest thereon, upon any of the income and revenues of the Sewer System pledged for payment of the Bonds and the interest thereon in this Ordinance, or upon the Sewer System or any part thereof.

Section 4.05. Issuance of Additional Parity Bonds.

No additional parity bonds, as in this section defined, payable out of the revenues of the Sewer System, shall be issued after the issuance of any bonds pursuant to this Ordinance, except under the conditions and in the manner herein provided.

No such additional parity bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, additions and improvements to the Sewer System or refunding the entirety of one or more series of Bonds issued pursuant hereto, or both such purposes.

No such additional parity bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk a written statement by a certified public accountant not in the regular employ of the

City, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the net revenues actually derived, subject to the adjustments hereinafter provided for, from the Sewer System during any twelve consecutive months within the eighteen months immediately preceding the date of the actual issuance of such additional parity bonds, plus the estimated average increased annual net revenues to be received in each of the three succeeding years after the completion of the improvements to be financed by such additional parity bonds, shall not be less than one hundred thirty per centum (130%) of the largest aggregate amount which will mature and become due in any succeeding fiscal year for principal of and interest on the following:

(1) The Bonds originally issued pursuant to this Ordinance then outstanding; and

(2) Any additional parity bonds theretofore issued pursuant to the provisions contained in this Ordinance then outstanding; and

(3) The additional parity bonds then proposed to be issued.

The "estimated average increased annual net revenues to be received in each of the three succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to a maximum of 75% of the increased revenues estimated to be derived solely from the improvements to be financed by such additional parity bonds and a maximum of 90% of the increased revenues estimated to be derived from any increase in rates actually in effect not less than three months prior to the date of delivery of such additional parity bonds, and shall not exceed the amount to be stated

in a certificate of the Consulting Engineers which shall be filed in the office of the City Clerk prior to the issuance of such additional parity bonds.

The net revenues actually derived from the Sewer System during the twelve consecutive month period hereinabove referred to may be adjusted by adding to such net revenues such additional net revenues which would have been received, in the opinion of the Consulting Engineers and the said certified public accountant as stated in a certificate jointly made and signed by the Consulting Engineers and said certified public accountant, on account of increased rates, rentals, fees and charges for the Sewer System approved by the Public Service Commission of West Virginia and actually in effect less than the most recent three months of such twelve month period.

Prior to the issuance of any such additional parity bonds, the City shall have entered into written contracts for the immediate acquisition or construction of such additions, extensions or improvements to the Sewer System which are to be financed by such additional parity bonds.

The term "additional parity bonds," as used in this section, shall be deemed to mean additional bonds issued under the provisions and within the limitations of this section, payable from the revenues of the Sewer System on a parity with the 1972 bonds originally authorized and issued pursuant to this Ordinance, and all the covenants and other provisions of this Ordinance (except as to details of such additional parity bonds inconsistent therewith) shall be for the equal benefit, protection and security of the holders of the 1972 Bonds and the holders of any additional parity bonds subsequently issued from time to time within the limitations of and in compliance with this section. All the bonds, regardless of the time or

times of their issuance, shall rank equally with respect to their lien on the revenues of the Sewer System, and their source of and security for payment from said revenues, without preference of any bond or coupon over any other. The City shall comply fully with all the increased payments into the various funds created in this Ordinance required for and on account of such additional bonds, in addition to the payments required for bonds theretofore issued pursuant to this Ordinance.

All additional parity bonds shall mature serially on June 1 of each year of maturity, and the semiannual interest thereon shall be payable June 1 and December 1 of each year.

Redemption of additional parity bonds shall be, as nearly as feasible, on an equal pro rata basis with the 1972 Bonds, based upon the original aggregate principal amount of each series.

The term "additional parity bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the Sewer System is subject to the prior and superior lien on such revenues of the Bonds. The City shall not issue any obligations whatsoever payable from the revenues of the Sewer System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such revenues, with the Bonds except in the manner and under the conditions provided in this section.

No additional parity bonds, as in this section defined, shall be created at any time, however, unless all of the payments into the respective funds provided for in this Ordinance on Bonds then outstanding, and all depreciation or sinking funds, or other payments provided for in this Ordinance shall have been made in full as required to the date of

delivery of the additional parity bonds and the City shall then be in full compliance with all the covenants, agreements and terms of this Ordinance.

With the written consent in advance of the investment banker or bankers or underwriter or underwriters which originally purchased, directly from the City, the 1972 Bonds, and anything to the contrary in this Section 4.05 notwithstanding, additional bonds on a parity with the 1972 Bonds may be authorized and issued by the City pursuant to supplemental ordinance in the event that the 1972 Bonds should be insufficient, together with other funds lawfully available therefor, to pay all costs of construction and acquisition of the Project to complete the Project in accordance with the plans and specifications therefor now on file with the West Virginia Department of Health and with the Sanitary Board of the City. All such additional parity bonds authorized and issued under the provisions of this paragraph shall be limited to the aggregate principal amount required to make up any deficiency in funds for payment of the construction costs to complete the Project and the maturities of any such additional bonds shall be in years and amounts suggested by such original purchaser directly from the City of the 1972 Bonds.

Section 4.06. Insurance. The City will carry such insurance as is ordinarily carried by private corporations owning and operating utilities similar to the Sewer System, with a reputable insurance carrier or carriers against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks, which insurance shall at all times be in an amount or amounts equal to the fair

appraisal value of the buildings, properties, furniture, fixtures and equipment of the Sewer System. In time of war, the City shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Depreciation Account and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Depreciation Account.

Section 4.07. Books and Records. The City will keep books and records of the Sewer System, which shall be separate and apart from all other books, records and accounts of the City, in which complete and correct entries shall be made of all transactions relating to the Sewer System, and any holder of a Bond or Bonds shall have the right at all reasonable times to inspect the Sewer System and all records, accounts and data of the City relating thereto.

The City shall, within 90 days of the close of each fiscal year, cause said books, records and accounts of the Sewer System to be properly audited by an independent competent firm of certified public accountants, and shall make available the report of said accountants at all reasonable times to

any Bondholder, any taxpayer or citizen of the City, or any person receiving services from the Sewer System, or anyone acting for and in behalf of any such taxpayer, citizen or Bondholder and the Original Purchasers of the Bonds.

Section 4.08. Maintenance of System. The City will maintain the Sewer System in good condition and continuously operate the same in an efficient manner and at a reasonable cost.

Section 4.09. Services Rendered to the City. The City will not render or cause to be rendered any free services of any nature by its Sewer System, nor will any preferential rates be established for users of the same class; and in the event the City or any department, agency, instrumentality, officer or employee of the City shall avail itself or themselves of the facilities or services provided by the Sewer System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the City and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and the City shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the Sewer System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the Sewer System.

Section 4.10. Operating Budget. The Sanitary Board shall annually, at least forty-five days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation

and maintenance of the Sewer System during the succeeding fiscal year. No expenditures for the operation and maintenance of the Sewer System shall be made in any fiscal year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the Sewer System, and no such increased expenditures shall be made until the Sanitary Board shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten per centum of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the Sewer System. The City shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to any Bondholder who shall file his address with the City and request in writing that copies of all such budgets and resolutions be furnished him, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the Sewer System at all reasonable times to any Bondholder or anyone acting for and in behalf of such Bondholder.

Section 4.11. Remedies and Appointment of Receiver.

Any Bondholder may, by proper legal action, compel the performance of the duties of the City under this Ordinance and the Act. If there be default in the payment of principal of or interest upon any Bond or coupon issued hereunder when the same shall become due, or in the performance of any covenant contained in this Ordinance except as to such payment

and such default shall continue for a period of thirty days after written notice to the Chairman of the Sanitary Board of such default, any Bondholder shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings, to obtain the appointment of a receiver to administer the Sewer System on behalf of the City, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the Bonds and the interest coupons, the deposits into the funds and accounts hereby established as herein provided, and the payment of operating expenses of the Sewer System, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Ordinance and the Act.

Section 4.12. Enforcement of Collections. The City will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the Sewer System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the Charter of the City and other laws of the State of West Virginia.

The City further covenants and agrees that it will, to the full extent permitted by law, under reasonable rules and regulations, discontinue and shut off the services and facilities of its Waterworks for nonpayment of the fees, rentals or other charges for the services and facilities of the Sewer System, and will not restore the services of its Waterworks until all delinquent charges for the services and facilities of all parts of the Sewer System, plus reasonable penalties and charges for the restoration of service,

have been fully paid.

Section 4.13. No Competing Franchise. The City will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the Sewer System.

Section 4.14. Consulting Engineer. The City will retain nationally recognized, qualified independent Consulting Engineers on an annual basis, to supervise generally the operation, maintenance and renewal of the Sewer System, and to report annually to the City in writing their recommendations and comments as to the Sewer System.

Section 4.15. Financing and Continuation Statements. The City, by its Mayor or CityClerk, either of whom is hereby authorized and directed to act hereunder, will execute Financing Statements meeting the requirements of the Uniform Commercial Code of West Virginia and will file the same with the Secretary of State of the State of West Virginia and with the Clerk of the County Court of the aforesaid County; and Continuation Statements, if required to maintain the security interest arising from this Ordinance and the Bonds, shall be signed by the original purchaser of the Bonds or by the Mayor, hereby designated to perform such service on behalf of all the Bondholders, and shall be filed with said officials.

Section 4.16. Mandatory Connections. The mandatory use of the sewer facilities of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare and the economy of the inhabitants of the City and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the sewer

facilities. Accordingly, every owner, tenant and occupant of every lot, parcel and tract of land which abuts on a street, alley or other public way in which any sewer line, main or facility is located, or which is located within a reasonable distance thereof, not exceeding 300 feet, and reasonably accessible thereto, and upon which lot, parcel or tract a building or other habitable structure has been or shall be erected for residential, commercial or industrial use, shall connect the waste or sewage lines of such building or structure with the sewer facilities of the System immediately upon completion of the Project if sewage will flow by gravity from such building or structure into the sewer facilities of the System, and shall thereupon and thereafter refrain from using and shall cease to use any other method for the disposal of sewage or water-borne waste matter and shall pay all charges, fees and rates lawfully provided for use of the sewer facilities.

Any such building or structure from which emanates sewage or water-borne waste matter and not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the City and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in the Circuit Court of said County or other court of competent jurisdiction.

ARTICLE V

RATES

Section 5.01. Sewer Rates Established. The following schedule of fees, rentals and rates to be charged for the services and facilities of the Sewer System are hereby fixed and determined, as follows:

AVAILABILITY OF SERVICE

Rates applicable to entire territory served and available for general domestic, commercial and industrial service.

RATES, BASED UPON WATER USAGE OR ESTIMATE BY SANITARY BOARD IF WATER NOT METERED, ON MONTHLY BASIS:

	<u>Per 1000 gallons</u>
First 5000 gallons	\$ 1.30
Next 5000 gallons	.95
Next 25,333 gallons	.70
Next 33,333 gallons	.42
All Over 66,666 gallons	.35

MINIMUM CHARGE

No bill will be rendered for less than the following amounts according to the size of the meter installed, to-wit:

	<u>Minimum Per Month</u>
5/8 inch meter, or smaller	\$ 2.60
3/4 inch meter	3.75
1 inch meter	6.66
1 1/2 inch meter	14.98
2 inch meter	26.62
3 inch meter	59.90
4 inch meter	106.50
6 inch meter	139.62

TAP FEE

For the cost of making taps there shall be a sewer line tapping charge of \$50.

DELAYED PAYMENT PENALTY

The above tariff is net. On all accounts not paid in full within ten (10) days of date of bill, ten per cent (10%) will be added to the net amount shown.

The above schedule of fees, rentals, rates and charges for the services and facilities of the Sewer System shall have been approved by the Public Service Commission of West Virginia prior to the delivery date of the 1972 Bonds and shall be increased whenever such increase is necessary in order to comply fully with all the provisions of this Ordinance, and the City shall always be obligated to and shall fix, establish and collect fees, rentals, rates and other charges for the services and facilities of the Sewer System which shall at all times be sufficient to pay all the principal of and interest on the Bonds and to make all depreciation and other payments provided for in this Ordinance.

Section 5.02. Lien for Charges. The City, as provided in the Act, shall have a lien on all lands, buildings and premises served by the Sewer System for all charges for sewer services and facilities, and the City covenants that it will diligently enforce such liens against all lands, buildings and premises where charges are delinquent for such services or facilities, in addition to discontinuing the supply of water to such lands, buildings or premises for such delinquent charges as hereinabove provided.

Section 5.03. Simultaneous Payment of Sewer and Water Bills. The City will require customers using both water and sewer services to pay water and sewer bills at the same time, and will not accept payment of a bill for water or sewer service only. Under reasonable conditions, the City will shut off water service for non-payment of a sewer bill within not more than thirty days after the mailing of such bill.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Modification or Amendment. No material modification or amendment of this Ordinance, or of any ordinance or resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of the holders of two-thirds or more in principal amount of the Bonds then outstanding, provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation or affecting the unconditional promise of the City to pay the principal of and interest on the Bonds as the same shall come due, from the revenues of the Sewer System, without the consent of the holders of such Bonds. Notwithstanding the above, no amendment or modification shall be made which would reduce the percentage of the principal amount of Bonds required for consent to the above permitted amendments or modifications.

Section 6.02. Management of Sewer System. The City, acting by and through its Council, and subject to the provisions of its Charter, the Act and other applicable statutes, now manages, operates, maintains and controls the Sewer System through a Sanitary Board heretofore lawfully created for such purpose pursuant to the Act. The Sanitary Board shall comply fully with all of the provisions of this Ordinance and covenants and agreements contained herein.

Section 6.03. Severability of Invalid Provision. If any one or more of the covenants, agreements or provisions

hereof should be held contrary to any express provision of law or contrary to the policy of express law, although not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall, to the extent of such invalidity, be null and void and shall be deemed separable from the remaining covenants, agreements or provisions, and shall in no way affect the validity of all the other provisions of this Ordinance or the Bonds or coupons appertaining thereto.

Section 6.04. Conflicting Provisions Repealed.

All ordinances, resolutions and orders, or parts thereof, in conflict with the provisions of this Ordinance, are, to the extent of such conflicts, hereby repealed.

Section 6.05. Covenant of Due Procedure, Etc.

The City covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the final enactment and passage of this Ordinance do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Mayor, the Clerk and the members of Council of the City were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office and that the City Manager of the City, duly appointed, qualified and serving, was also duly in office at all such times.

Section 6.06. Public Hearing. Upon adoption and approval of this Ordinance the City Clerk is hereby authorized and directed to have it published once each week for two

successive weeks, with not less than six full days between each publication, the second such publication to be not less than ten days before the date stated below for the public hearing, in The Sentinel, a newspaper published and having a general circulation in the City, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the City contemplates the issuance of the 1972 Bonds described in this Ordinance and that any person interested may appear before the City Council at the public hearing to be had at a public meeting of City Council on the 30th day of May, 1972, at 7:30 o'clock p.m., in the Council chamber of the City Building in said City and present protests. At such hearing all objections and suggestions shall be heard by the City Council and it shall then take such action as it shall deem proper in the premises.

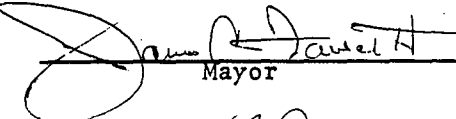
Section 6.07. Effective Time. This Ordinance shall take effect following publication hereof and public hearing hereon as provided in the Act.

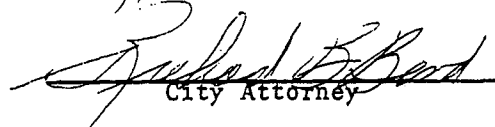
Passed on First Reading: May 8, 1972.

Enacted May 30, 1972.

Ratified following public hearing held

May 30, 1972.


Mayor

Clerk

City Attorney